

MATERIAL SUPPORTING THE AGENDA

VOLUME XLIIIb

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on

January 5, 1996
February 8, 1996
March 1, 1996
March 26, 1996

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.



**Material Supporting the Agenda
of the
Board of Regents
The University of Texas System**

Meeting No.: 890

Date: February 8, 1996

Location: El Paso, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Place: Rooms 308 and 310, Geological Sciences Building
The University of Texas at El Paso
University Avenue and Hawthorne Street
El Paso, Texas

Host Institution: The University of Texas at El Paso

Thursday, February 8, 1996

10:00 a.m. Convene in Open Session for
the sole purpose of recessing
to Executive and Briefing
Sessions

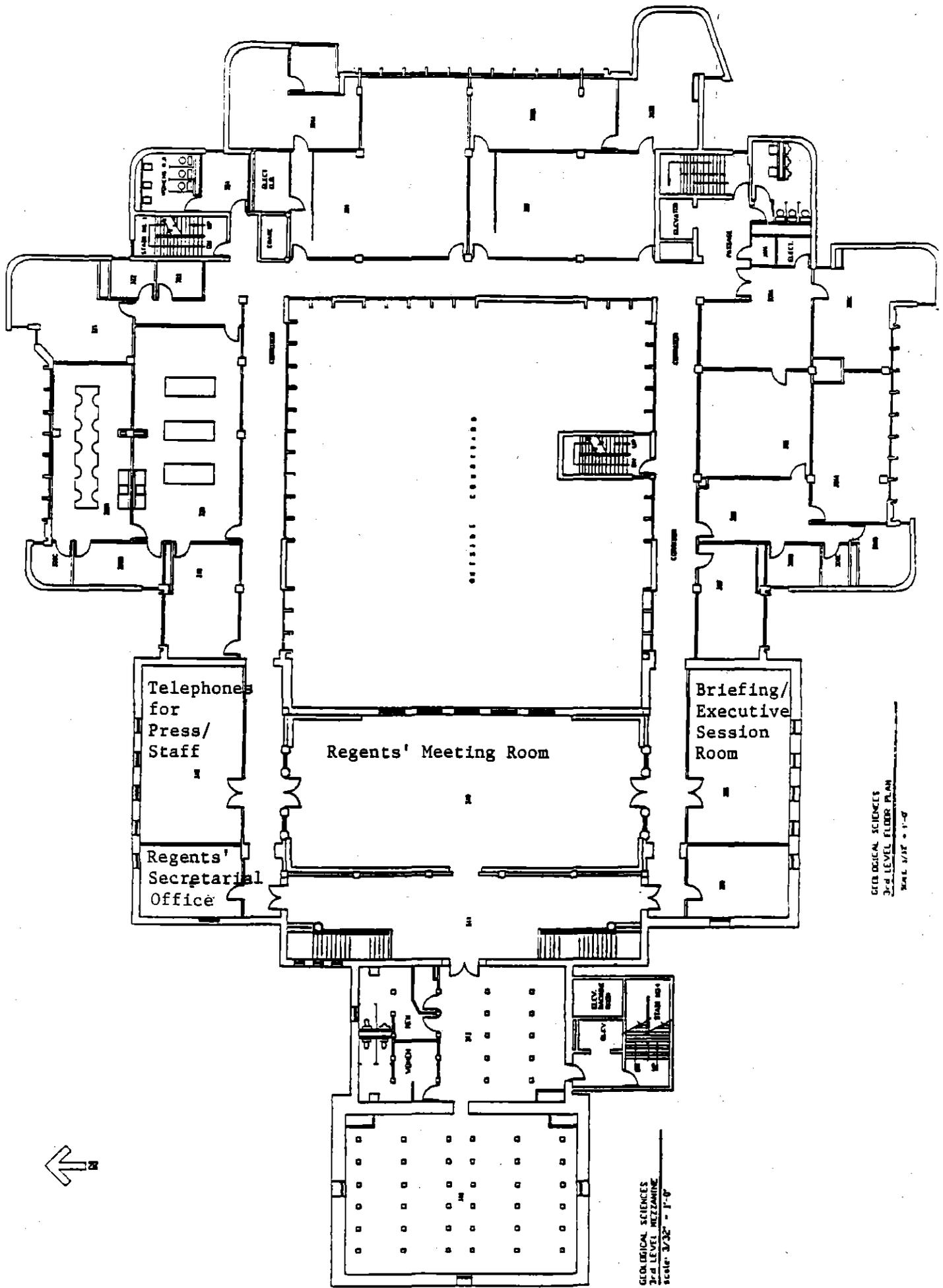
1:00 p.m. or Reconvene in Open Session to
upon recess continue until completion of
of Executive business
and Briefing
Sessions

See Pages B of R 1 - 4,
Items A - N

Telephone Numbers

President Natalicio's Office	(915) 747-5555
Room 317, Geological Sciences Building (for calls during the meeting)	(915) 747-5669
Camino Real Hotel 101 South El Paso Street	(915) 534-3000

GEOLOGICAL SCIENCES BUILDING

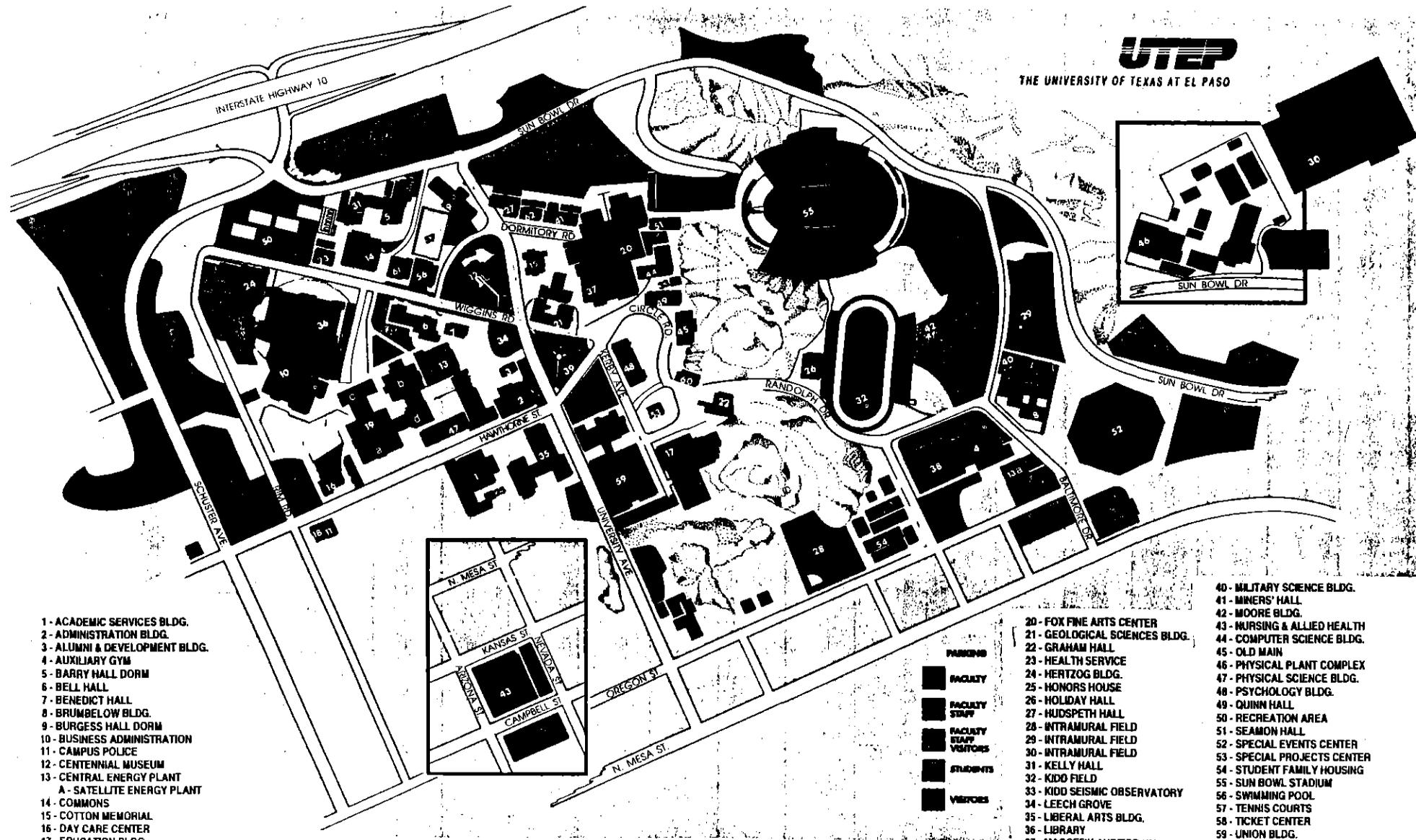


GEOLOGICAL SCIENCES
3rd LEVEL FLOOR PLAN
SCALE 1/8" = 1'-0"

GEOLOGICAL SCIENCES
3rd LEVEL MEZZANINE
SCALE 3/32" = 1'-0"



- Room 310 Regents' Meeting Room
- Room 308 Briefing and Executive Sessions
- Room 317 Regents' Secretarial Office
- Room 318 Telephones for Staff/Press



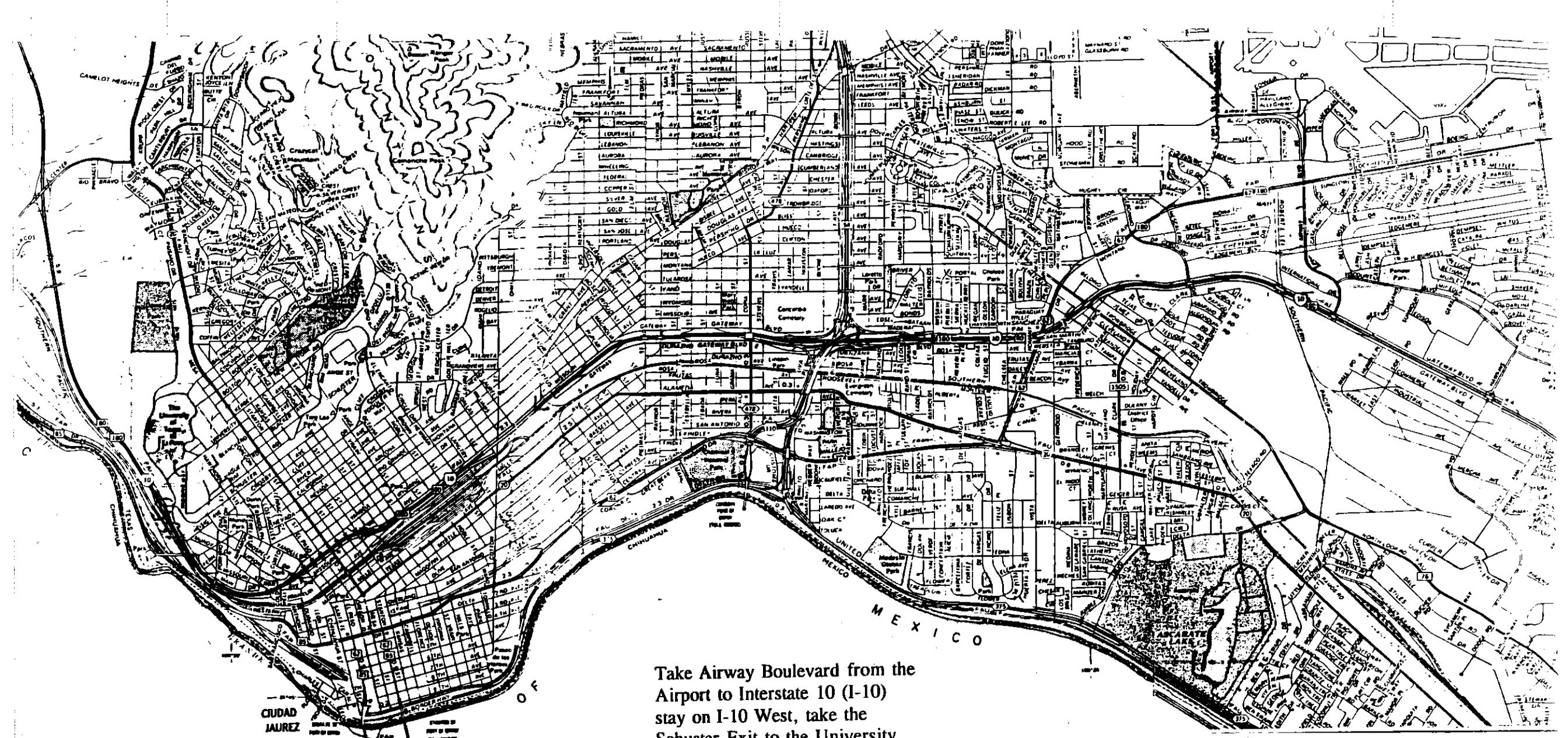
UTEP
THE UNIVERSITY OF TEXAS AT EL PASO

- 1 - ACADEMIC SERVICES BLDG.
- 2 - ADMINISTRATION BLDG.
- 3 - ALUMNI & DEVELOPMENT BLDG.
- 4 - AUXILIARY GYM
- 5 - BARRY HALL DORM
- 6 - BELL HALL
- 7 - BENEDICT HALL
- 8 - BRUMBELOW BLDG.
- 9 - BURGESS HALL DORM
- 10 - BUSINESS ADMINISTRATION
- 11 - CAMPUS POLICE
- 12 - CENTENNIAL MUSEUM
- 13 - CENTRAL ENERGY PLANT
 - A - SATELLITE ENERGY PLANT
- 14 - COMMONS
- 15 - COTTON MEMORIAL
- 16 - DAY CARE CENTER
- 17 - EDUCATION BLDG.
- 18 - ENERGY CENTER
- 19 - A - ENGINEERING B - BIOLOGY
 - C - METALLURGY D - CLASSROOM

- PARKING**
- FACULTY
 - FACULTY STAFF
 - FACULTY STAFF VISITORS
 - STUDENTS
 - VEHICLES

- 20 - FOX FINE ARTS CENTER
- 21 - GEOLOGICAL SCIENCES BLDG.
- 22 - GRAHAM HALL
- 23 - HEALTH SERVICE
- 24 - HERTZOG BLDG.
- 25 - HONORS HOUSE
- 26 - HOLIDAY HALL
- 27 - HUDSPETH HALL
- 28 - INTRAMURAL FIELD
- 29 - INTRAMURAL FIELD
- 30 - INTRAMURAL FIELD
- 31 - KELLY HALL
- 32 - KIDD FIELD
- 33 - KIDD SEISMIC OBSERVATORY
- 34 - LEECH GROVE
- 35 - LIBERAL ARTS BLDG.
- 36 - LIBRARY
- 37 - MAGOFFIN AUDITORIUM
- 38 - MEMORIAL GYM
- 39 - MEMORIAL TRIANGLE

- 40 - MILITARY SCIENCE BLDG.
- 41 - MINERS' HALL
- 42 - MOORE BLDG.
- 43 - NURSING & ALLIED HEALTH
- 44 - COMPUTER SCIENCE BLDG.
- 45 - OLD MAIN
- 46 - PHYSICAL PLANT COMPLEX
- 47 - PHYSICAL SCIENCE BLDG.
- 48 - PSYCHOLOGY BLDG.
- 49 - QUINN HALL
- 50 - RECREATION AREA
- 51 - SEAMON HALL
- 52 - SPECIAL EVENTS CENTER
- 53 - SPECIAL PROJECTS CENTER
- 54 - STUDENT FAMILY HOUSING
- 55 - SUN BOWL STADIUM
- 56 - SWIMMING POOL
- 57 - TENNIS COURTS
- 58 - TICKET CENTER
- 59 - UNION BLDG.
- 60 - VOWELL HALL
- 61 - WOMEN'S GYM
- 62 - WORRELL HALL



Take Airway Boulevard from the Airport to Interstate 10 (I-10) stay on I-10 West, take the Schuster Exit to the University of Texas at El Paso

Camino Real Paso
Del Norte Hotel

101 S. El Paso St.
(915) 534-3000

To the Camino Real Paso Del Norte Hotel
Take I-10 West to the Mesa Exit turn left on Santa Fe to San Francisco, hotel is on the corner

Meeting of the Board

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

Date: Thursday, February 8, 1996

Time: 10:00 a.m. Convene in Open Session for the sole purpose of recessing to Executive and Briefing Sessions

1:00 p.m. or upon recess of Executive and Briefing Sessions Reconvene in Open Session to continue until completion of business

Place: Room 308 Open Session at 10:00 a.m. and Executive and Briefing Sessions

Room 310 Open Session at 1:00 p.m. or upon Recess of Executive and Briefing Sessions

A. CALL TO ORDER

B. RECESS TO EXECUTIVE AND BRIEFING SESSIONS

The Board will convene in an Executive Session followed by a Briefing Session pursuant to Texas Government Code, Chapter 551, Sections 551.071, 551.072, and 551.074 to consider those matters set out on Page Ex.S - 1 of the Material Supporting the Agenda.

C. RECONVENE IN OPEN SESSION

D. WELCOME BY PRESIDENT NATALICIO

E. APPROVAL OF MINUTES OF REGULAR MEETING HELD NOVEMBER 9, 1995, AND SPECIAL MEETING HELD JANUARY 5, 1996

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

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Material Supporting the Agenda. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Rapoport
Vice-Chairman Hicks, Vice-Chairman Smiley
MSA Page Ex.C - 1

Business Affairs and Audit Committee: Chairman Smiley, Regent Deily, Regent Hicks
MSA Page BAAC - 1

Academic Affairs Committee: Chairman Lebermann
Regent Evans, Regent Temple
MSA Page AAC - 1

Health Affairs Committee: Chairman Loeffler
Regent Deily, Regent Temple
MSA Page HAC - 1

Facilities Planning and Construction Committee:
Chairman Temple, Regent Holmes, Regent Lebermann
MSA Page FPCC - 1

Asset Management Committee: Chairman Hicks
Regent Evans, Regent Loeffler
MSA Page AMC - 1

G. RECONVENE AS COMMITTEE OF THE WHOLE

H. CONSIDERATION OF ACTION ON ANY ITEMS DISCUSSED IN THE EXECUTIVE SESSION OF THE BOARD OF REGENTS PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551, SECTIONS 551.071, 551.072, AND 551.074

1. Pending and/or Contemplated Litigation - Section 551.071

U. T. Health Science Center - Houston:
Proposed Settlement of Medical Liability Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 551.072

U. T. Medical Branch - Galveston:
Proposed Acceptance of Gift of
St. Mary's Hospital Facilities and
Expression of Appreciation to The
Sealy & Smith Foundation

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

U. T. M.D. Anderson Cancer Center:
Consideration of Recommendation of
Hearing Tribunal Regarding Termination
of Tenured Faculty Member

I. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

REPORT

The Board for Lease of University Lands met on November 14, 1995, at the Center for Energy and Economic Diversification in Midland, Texas, for a general business meeting and to hold the Regular Oil and Gas Lease Sale No. 88 and the Frontier Oil and Gas Lease Sale No. 88-A.

Following is a report on the results of the lease sales:

- a. Regular Oil and Gas Lease Sale No. 88: 44,628 acres of Permanent University Fund lands were nominated for lease. Bonuses in the amount of \$3,602,287 were paid for leases covering 32,536 acres. No bids were received on 12,092 acres.
- b. Frontier Oil and Gas Lease Sale No. 88-A: All available Frontier acreage was offered for lease. Bonuses in the amount of \$90,015 were paid for leases covering 3,884 acres.
- c. Total bonuses paid were \$3,692,302. Total bonuses paid were higher than for any sale since July 1987.

Following is a report on the general business meeting:

- a. Approved the Minutes of the Board for Lease meeting of September 14, 1995
- b. Approved the recommended procedures and terms for Regular Oil and Gas Lease Sale No. 89 and Frontier Oil and Gas Lease Sale No. 89-A to be held on May 14, 1996
- c. Received a report on the take in-kind crude oil sale held September 21, 1995. Estimated royalty enhancement will be \$0.92/barrel for approximately 3,475 barrels of oil per day. Total projected enhancement is approximately \$580,000 over a 6-month period.
- d. Approved all high bids received for acreage offered in the Regular Oil and Gas Lease Sale No. 88 and the Frontier Oil and Gas Lease Sale No. 88-A.

J. REPORT OF SPECIAL COMMITTEES

Committee on Minorities and Women: Chairman Holmes

K. OTHER MATTERS

1. Certificate of Appreciation
2. U. T. System: Annual Report on the Activities of the Faculty Advisory Council.--

REPORT

U. T. System Faculty Advisory Council Chair Lynn Little, Associate Professor in the Medical Laboratory Sciences Department at U. T. Southwestern Medical Center - Dallas, will make a short presentation concerning the Council's activities during the past year.

L. SCHEDULED EVENTS

1. Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
May 9, 1996	U. T. Health Science Center - Houston
August 8, 1996	U. T. Tyler
November 14, 1996	U. T. Southwestern Medical Center - Dallas

2. Official Commencements - 1996

May 4	U. T. Permian Basin
May 10	U. T. Tyler
May 11-12	U. T. Arlington
May 11	U. T. Pan American
	U. T. San Antonio
	U. T. G.S.B.S. - Houston
May 17	U. T. Brownsville
May 18	U. T. Austin
	U. T. El Paso
	U. T. Medical School - Galveston
May 25	U. T. Dallas
	U. T. Allied Health Sciences School - San Antonio
June 1	U. T. Southwestern Medical School - Dallas and U. T. Southwestern G.S.B.S. - Dallas

M. OTHER BUSINESS

N. ADJOURNMENT

JANUARY 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31							FEBRUARY 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29						
MARCH 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31							APRIL 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30						
MAY 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31							JUNE 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30						
JULY 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31							AUGUST 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31						
SEPTEMBER 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30							OCTOBER 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31						
NOVEMBER 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30							DECEMBER 1996 S M T W T F S 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25 26 27 28 29 30 31						

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Rapoport

Date: February 8, 1996
Time: Following the reconvening of the Board of Regents
at 1:00 p.m. or upon recess of Executive Session
Place: Room 310, Geological Sciences Building
U. T. El Paso

Page
Ex.C

U. T. System: Recommended Approval of
Executive Committee Letters 96-3
Through 96-6 Via the Chancellor's Docket
Process

2

U. T. System: Recommended Approval of Executive Committee Letters 96-3 Through 96-6 Via the Chancellor's Docket Process.--

At its meeting in December 1994, the Board authorized the approval/ratification of Executive Committee Letters via The University of Texas System Administration Docket effective with the May 1995 meeting of the Board. Therefore, Executive Committee Letters 96-3 through 96-6, which have been distributed since the November 1995 meeting of the Board and which have received the prior approval of the Executive Committee, appear in the U. T. System Administration Docket on Pages ECL 1 - 6 and will be approved/ratified on the agenda of the Business Affairs and Audit Committee as set out on Page BAAC - 2 of the Material Supporting the Agenda.

Business Affairs & Audit Committee

BUSINESS AFFAIRS AND AUDIT COMMITTEE
Committee Chairman Smiley

Date: February 8, 1996
Time: Following the meeting of the Executive Committee
Place: Room 310, Geological Sciences Building
U. T. El Paso

	<u>Page</u> <u>BAAC</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 84</u>	2
2. U. T. System: Recommendation to Approve 1997 Budget Preparation Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations	2
3. U. T. System: Recommendation to Amend the Sick Leave Pool Policy	8
4. U. T. System: Request to Amend the Equipment Financing Program for Fiscal Year 1996 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Find- ing of Fact with Regard to Financial Capacity	11
5. U. T. Arlington: Request to Establish the Regents' Centennial Challenge Grant and Allo- cation of Funds Therefor	15
6. U. T. Health Science Center - San Antonio: Recommendation to Approve the Sale of Real Estate Located in Kerr County, Texas, and Authorization to Execute Documents Related Thereeto	16

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 84.--

RECOMMENDATION

It is recommended that Chancellor's Docket No. 84 be approved.

It is requested that the committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. System: Recommendation to Approve 1997 Budget Preparation Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations.--

RECOMMENDATION

With the concurrence of the Executive Officers, the Chancellor recommends that the U. T. Board of Regents approve the following Budget Preparation Policies and Limitations and Calendar for use in preparing the 1997 Operating Budget for the U. T. System:

U. T. System 1997 Budget Preparation Policies

General Guidelines - The regulations and directives included in the General Appropriations Act serve as the basis for these guidelines and policies. In preparing the draft of the 1997 Operating Budget, the Chief Administrative Officer of each component institution should adhere to guidelines and policies as detailed below. Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines - Recommendations regarding salary policy are subject to the following directives of the General Appropriations Act.

Article IX, Section 30. Salaries to be Proportional by Fund.

It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in V.T.C.A., Education Code, Sec. 51.009 (a) and (c), shall be proportional to the source of funds.

1. Merit Increases - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff, keeping in mind the 1996-1997 biennium goal of at least an average 5% merit salary increase for faculty and staff.

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

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

To be eligible for a merit increase, classified staff must have been employed by the institution for at least six months as of August 31, 1996.

2. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments may also be granted in this budget and should also consider merit where appropriate, subject to available resources. Such increases should be noted and explained in the supplemental data accompanying the budget.
3. New Positions - New administrative and professional, classified staff and faculty positions are to be requested only when justified by work loads or to meet needs for developing new programs.
4. It is the expectation that Fiscal Year 1997 increases for merit, equity, or other increases be included in the Operating Budget.

Staff Benefits Guidelines - Recommendations regarding employee staff benefits are subject to the following directives included in the General Appropriations Act.

1. Staff Group Insurance Premiums - The General Revenue contribution for staff group insurance premiums for higher education is included in Article III, pages III-30 through III-34 of the General Appropriations Act. For each full-time active and retired employee enrolled for eligible coverage, the 1997 State's contribution rate is as follows:

Employee Only Category	\$186.31
Employee and Spouse Category	\$292.13
Employee and Children Category	\$257.16
Employee and Family Category	\$362.98

Funds appropriated for higher education employees' group insurance contributions may not be used for any other purpose. To budget these funds, a "Transfer from Employees Group Insurance Contribution" should be reflected as a General Revenue item in the "Method of Financing" section of the operating budget summary. Employee group insurance premiums for employees paid from Educational and General Income are included in each institution's appropriation for "Educational and General State Support."

In addition, active and retired employees are authorized to use one-half of the "employee only" state contribution for optional insurance provided that they have health insurance coverage from another source.

2. Teacher Retirement Program - State contribution at 6.0% of payroll is included in the funds appropriated to the Teacher Retirement System to match members' contributions.
3. Optional Retirement Program - The state contribution rate for employees who are on the payroll as of August 31, 1995 is 7.31% of payroll. (State matching contributions of 6.0% of payroll is included in the funds appropriated to the Teacher Retirement System and 1.31% of payroll is included in funds appropriated to The University of Texas System.) For employees who are on the payroll as of August 31, 1995, institutions are authorized to use local funds or other sources of funds to supplement the General Revenue Fund appropriations in order to provide an employer contribution of 8.5% of payroll.

The Optional Retirement Program contribution rate for employees who are hired on or after September 1, 1995 is the same contribution as for members of the Teacher Retirement System, or 6.0% of payroll for Fiscal Year 1997. Institutions must notify all newly hired employees that the contribution rate for the Optional Retirement Program may fluctuate over time.

4. Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund is \$.68 per \$100 of the first \$9,000 of salary paid per employee. Workers' Compensation Insurance rates have been experience rated for each component.

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

Budget Reductions and Limitations - Article III and Article IX of the General Appropriations Act contain several sections requiring budget reductions and budget restrictions which may impact the 1997 Operating Budget. Such reductions should be anticipated in preparing the 1997 Operating Budget. Those riders which may have significant impact are:

Article III, The University of Texas System, Section 4. Appropriations, Governing Board.

Out of the funds appropriated herein, an amount not to exceed \$436,569 in each year of the biennium shall be for all expenses associated with the governing board's duties including, but not limited to: travel, entertainment, lodging, and expenses of state employees who provide services for the governing board.

Article III, Section 34. Proportionality and
Optional Retirement Program Contribution Offsets.

Out of the general revenue funds specifically appropriated by those strategies titled "Retirement Contribution Adjustments", The University of Texas System Office is authorized to replace those amounts that are paid by each institution or system office for: (a) Teacher Retirement System (TRS) and Optional Retirement Program (ORP) employer contributions associated with salaries funded by educational and general sources, as required by Section 155, Article IX of this Act, and (b) employer contribution supplements associated with the ORP contribution rate reduction implemented by this Act.

To budget these funds, a "Transfer from System Administration" should be reflected as a General Revenue item in the "Method of Financing" section of the operating budget summary.

Article IX, Section 153. Reduction in
Appropriations and Limitation on State Employment.

It is the intent of the Legislature to limit the growth in the level of employment for state agencies and institutions of higher education. The amounts indicated as the "Number of Positions (FTE)" following the agency's items of appropriation in this Act are the target levels for each state agency and institution of higher education. The actual levels of employment shall be monitored by the Legislative Budget Board and the Governor's Office of Budget and Planning. Each state agency and institution of higher education shall report such information upon request.

The Comptroller of Public Accounts is hereby directed to reduce the appropriations made by this Act out of the General Revenue Fund, by an amount equal to 1.26% of the total amount appropriated out of the above identified funding sources, excluding appropriations exempted from the application of this subsection, or \$300,000,000 for the biennium, whichever amount is greater. The Comptroller of Public Accounts shall determine the amounts to be reduced pursuant to this subsection no later than October 1, 1995 and shall inform the Legislative Budget Board and the Governor as to the reduction amounts for each agency. The Comptroller of Public Accounts shall also inform each state agency and institution affected by the reductions no later than October 15, 1995.

It is the intent of the Legislature that at least 50% of the appropriation reductions made pursuant to subsection 2 of this section be applied by the affected agencies toward reductions in salary and personnel expenses.

Article IX, Section 155. Reductions in Appropriations: Higher Education Retirement Programs.

It is the intent of the Legislature that the recommendations developed by the Texas Performance Review (TPR) and described in *Gaining Ground* as recommendation ED 24, Apply the Proportionality Concept to Higher Education's Retirement Programs, be adopted and implemented by the Teacher Retirement System and each affected institution of higher education. In order to achieve an identifiable General Revenue Fund savings of \$120.2 million during the 1996-1997 biennium, the affected institutions of higher education shall pay to the Teacher Retirement System and the Optional Retirement Program, out of funds appropriated elsewhere in this Act and out of local funds, the amounts necessary to provide for the retirement program contribution obligations related to the payment of salaries from funds other than the General Revenue Fund.

BACKGROUND INFORMATION

The U. T. System 1997 Budget Preparation Policies track the provisions contained in the General Appropriations Act, H.B. 1 of the 74th Texas Legislature, Regular Session, and are similar to those used in preparing previous budgets. No funds have been specifically identified in the General Appropriations Act for salary increases. However, subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff, keeping in mind the 1996-1997 biennium goal of at least an average 5% merit salary increase for faculty and staff. Some riders in the General Appropriations Act will likely require adjustments to the 1997 Operating Budget. Instructions will be issued later by the appropriate state agency regarding these reductions.

1997 Operating Budget Calendar

January 1996	Draft of budget instructions to institutions
February 8, 1996	U. T. Board of Regents approve budget policies
March 18-22, 1996	Budget policy/resource allocation hearings with System Administration
April 22, 1996	Draft copies of budgets, salary rosters and supplemental data (temporary binding) due to System Administration
April 29-May 3, 1996	Technical budget hearings with System Administration
May 13, 1996	Final copies of budgets, salary rosters, and supplemental data due to System Administration
May 23, 1996	Budgets mailed to U. T. Board of Regents
June 1996	U. T. Board of Regents' Committee Briefings and preliminary approval
August 8, 1996	U. T. Board of Regents approve budget
August 19, 1996	Budgets (unbound) due to System Administration for copying and binding

3. U. T. System: Recommendation to Amend the Sick Leave Pool Policy.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Sick Leave Pool Policy established at the February 1990 U. T. Board of Regents' meeting and amended at the December 1992 meeting be amended as set forth below in congressional style:

SICK LEAVE POOL POLICY

1. PURPOSE. Each component institution of the U. T. System and U. T. System Administration shall establish a sick leave pool to provide a source of additional sick leave for those employees who have exhausted accrued annual leave and sick leave because of a catastrophic illness or injury.
2. DEFINITIONS. As used in this Policy:
 - 2.1 "Catastrophic illness or injury" means a severe condition or combination of conditions affecting the mental or physical health of an employee or the employee's immediate family that requires the services of a licensed physician for a prolonged period of time and that requires the employee to exhaust accrued leave and to lose compensation from the State.
 - 2.2 "Employee" means a regular employee of a component institution of the U. T. System or the U. T. System Administration as defined in [~~Article V of~~] the General Appropriations Act.
 - 2.3 "Immediate family" means those persons living in the same household with the employee who are either related to the employee by kinship, adoption, or marriage or are certified by the Texas Department of Human Services as foster children of the employee or, if not living in the same household, are totally dependent upon the employee for personal care or services on a continuing basis.
 - 2.4 "Licensed physician" means a person who is licensed to practice in one of the health professions set forth in Article 3.70-2 of the Texas Insurance Code [medicine].
 - 2.5 "Pool administrator" means the person appointed to administer the sick leave pool.
 - 2.6 "Sick leave pool" or "pool" means the accumulated sick leave donated by employees for utilization in accordance with this Policy.

3. POOL ADMINISTRATOR. This Policy shall be administered at each component institution by a pool administrator designated by the chief administrative officer and at the U. T. System Administration by a pool administrator designated by the Chancellor of the U. T. System.
 - 3.1 The pool administrator shall adopt forms and regulations appropriate for the administration of this Policy.
 - 3.2 The decision of the pool administrator regarding contributions to and withdrawals from the pool shall be final.
4. SICK LEAVE POOL. The sick leave pool at each component institution and the U. T. System Administration shall consist of the sick leave voluntarily contributed to the pool by employees.
 - 4.1 An employee who desires to contribute sick leave to the pool must submit an application to the pool administrator.
 - 4.2 Contributions to the pool must be in units of eight (8) hours [~~and no more than (3) units may be contributed by an employee during each fiscal year~~]. State employees are permitted to contribute an unlimited number of hours to the sick leave pool. Retiring employees are also permitted to contribute to the sick leave pool.
 - 4.3 Upon approval of an application, the pool administrator shall credit the sick leave pool with the sick leave contributed by an employee and shall direct the human resources office [~~personnel department~~] to deduct a corresponding amount from that employee's accrued sick leave.
 - 4.4 Sick leave contributed to the pool may not be designated for the use of a particular person.
 - 4.5 Although contributions are voluntary, employees who leave state employment should be encouraged to contribute to the pool.
5. WITHDRAWAL OF SICK LEAVE FROM THE POOL. Applications to withdraw sick leave from the pool must be submitted on the form prescribed by the pool administrator. An application must be filed with the pool administrator and must be accompanied by a statement from the licensed physician who treated the illness or injury that resulted in the exhaustion of the accrued annual leave and sick leave of the employee making the application. The pool administrator will consider applications in the order in which they are received and will approve or deny an application within ten (10) working days after receipt.
 - 5.1 An employee is eligible to withdraw sick leave from the pool if the pool administrator finds that the employee has exhausted all accrued annual leave and sick leave because of a catastrophic illness or injury or because of a previous donation of sick leave to the pool.

- 5.2 In determining the amount of sick leave to be assigned to an eligible employee from the pool, the pool administrator shall take into consideration the information contained in the employee's application, the number of applications then pending, and the amount of sick leave available in the pool. In no event shall the sick leave allocated to an eligible employee from the pool exceed ninety (90) days or one-third (1/3) of the sick leave pool balance, whichever is less. Upon approval of an employee's application, the pool administrator shall notify the human resources [~~personnel~~] office of the amount of sick leave to be assigned to the employee.
- 5.3 The employee may use sick leave assigned from the pool in the same manner as sick leave accrued pursuant to [~~Article-V-of~~] the General Appropriations Act and shall be treated in the same manner and shall be entitled to accrue the same benefits as an employee who uses such accrued sick leave.
- 5.4 The estate of a deceased employee shall not be entitled to payment for unused sick leave assigned from the pool.

BACKGROUND INFORMATION

The U. T. System Sick Leave Pool Policy was established by the U. T. Board of Regents at the February 1990 meeting pursuant to Article 6252-8e of Vernon's Civil Statutes. The U. T. Board of Regents approved amendments to the policy at the December 1992 meeting to clarify the requirement that employees must exhaust all accrued leave to be eligible to be considered for leave from the sick leave pool and to substitute the word "physician" in place of "practitioner" to narrow the scope of health care professionals to individuals involved in the treatment of catastrophic illness or injury.

Proposed changes to the policy are necessitated by the passage of Senate Bill 988, 74th Texas Legislature, amending Article 6252-8e, codified now as Section 662.003, Texas Government Code, to change the number of days an employee may transfer to a sick leave pool from "at least one but not more than three days" in a fiscal year to "one or more days." Additionally, S.B. 988 authorized retiring employees to donate their sick leave credits to the pool. Other changes to the Sick Leave Pool Policy are minor and are editorial in nature.

4. U. T. System: Request to Amend the Equipment Financing Program for Fiscal Year 1996 and Approve the Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the U. T. System equipment financing program for Fiscal Year 1996 to include financing for U. T. Dallas in the amount of \$400,000, which will increase the aggregate financing amount from \$38,100,000 to \$38,500,000.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Jenifer that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 (the "Master Resolution"), and upon delivery of the Certificate of an Authorized Representative as set out on Page BAAC - 13, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. 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. Board of Regents of tax-exempt Parity Debt for the purchase of equipment in the amount of \$400,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

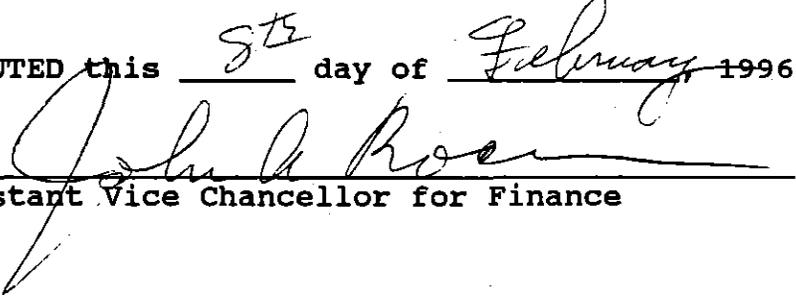
At the August 1995 meeting, the U. T. Board of Regents approved the use of Revenue Financing System debt for U. T. System equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System and approved an aggregate financing amount of \$38,100,000 for certain equipment purchased in Fiscal Year 1996 for U. T. Arlington, U. T. Austin, U. T. Brownsville, U. T. El Paso, U. T. San Antonio, U. T. Tyler, U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. M.D. Anderson Cancer Center, and U. T. Health Center - Tyler. U. T. Dallas has identified computer and furniture equipment needs since the August 1995 meeting and thereby has created the need to amend the U. T. System equipment financing program to include these U. T. Dallas equipment needs. The debt is to be repaid by General Use Fee receipts.

The 74th Texas Legislature authorized an increase in the maximum general use fee to an amount not to exceed the level of in-state undergraduate tuition. This initiative was in response to the need to provide capital funding for Permanent University Fund (PUF) institutions at a level at least equivalent to HEAF institutions. For the Fiscal Years 1996 and 1997, the general use fee per semester credit hour will be increased at U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler. With the exception of U. T. Austin, \$1.55 of the increase may be used directly for debt service for bonds to be issued. For Fiscal Year 1996, it is forecasted that U. T. Dallas will collect approximately \$2,800,000 in General Use Fee receipts. In the 1996-2001 Capital Improvement Program, U. T. Dallas identified \$5,400,000 in projects to receive bond proceeds under this program. With the issuance of this debt under the program, the debt service coverage forecast ranges from 1.4 to 3.2 times during Fiscal Years 1996-2000 (see Page BAAC - 14).

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

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

EXECUTED this 5th day of February, 1996


Assistant Vice Chancellor for Finance

**U.T. DALLAS
EQUIPMENT FINANCING**

<u>Project Level - General Use Fee Budget (\$ in thousands)</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 100</u>
Income	1,976.7	2,848.0	3,470.6	3,860.3	4,198.1	4,625.4
Transfers other than debt service	(391.3)	(189.2)	(1,515.0)	(205.0)	(215.0)	(220.0)
	1,585.4	2,658.8	1,955.6	3,655.3	3,983.1	4,405.4
Debt Service		825.6	1,386.0	1,894.3	2,549.6	2,487.6
Debt Service Coverage After Transfers		3.2	1.4	1.9	1.6	1.8

<u>Campus Level: U.T. Dallas (\$ in millions)</u>	<u>Actual</u>			<u>Forecast</u>				
	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>
Beg. Fund Balance	11.7	12.8	14.0	15.2	17.1	16.5	17.9	17.7
Total Current Revenues	61.3	65.7	65.5	69.7	70.8	73.9	75.3	78.4
Total Current Expenditures	(57.0)	(62.1)	(61.9)	(66.0)	(67.6)	(69.4)	(71.8)	(73.1)
Net Revenues	4.3	3.6	3.6	3.7	3.2	4.5	3.5	5.3
Debt Service	(1.8)	(1.9)	(2.0)	(1.6)	(2.3)	(2.9)	(3.5)	(3.5)
Non-Mandatory Transfers	(0.6)	(0.5)	(0.4)	(0.2)	(1.5)	(0.2)	(0.2)	(0.2)
Adjustments	(0.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Inc/(Dec) for Year	1.1	1.2	1.2	1.9	(0.6)	1.4	(0.2)	1.6
End. Fund Balance	12.8	14.0	15.2	17.1	16.5	17.9	17.7	19.4
Debt Service Coverage	2.4	1.9	1.8	2.4	1.4	1.6	1.0	1.5

<u>U.T. System (\$ in millions)</u>	<u>Actual</u>			<u>Forecast</u>				
	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>	<u>FY 96</u>	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>
Available Revenues	2,965.2	3,226.4	3,439.7	3,553.0	3,584.3	3,655.5	3,702.8	3,783.7
Operating Expenses	(2,868.1)	(3,033.6)	(3,239.9)	(3,419.5)	(3,437.2)	(3,482.4)	(3,533.1)	(3,594.2)
Net Available for Debt Service	97.1	192.8	199.8	133.5	147.1	173.1	169.7	189.5
Debt Service	(42.0)	(43.3)	(48.9)	(76.0)	(91.0)	(101.0)	(106.9)	(113.1)
Debt Service Coverage	2.3	4.5	4.1	1.8	1.6	1.7	1.6	1.7

5. U. T. Arlington: Request to Establish the Regents' Centennial Challenge Grant and Allocation of Funds Therefor.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that authorization be granted to establish a One Million Dollar Regents' Centennial Challenge Grant for U. T. Arlington and that \$350,000 be allocated for that grant from the Fiscal Year 1996 Permanent University Fund (PUF) Bond Proceeds Reserve.

BACKGROUND INFORMATION

As U. T. Arlington begins its Centennial Year, its faculty and staff seek to make the Honors Program a cornerstone of the University's commitment to excellence and accessibility for undergraduate education. The faculty and staff seek to enhance the Honors Program with facilities improvements, computer equipment, and scholarship support. In addition, they also seek to increase scholarship support for regular students. Under the proposed One Million Dollar Regents' Centennial Challenge Grant, the University will raise two scholarship dollars for each dollar expended from the challenge grant. The challenge grant proceeds will be used to equip computer labs and classrooms for the Honors Program and to renovate and reconfigure space for the program.

At the August 1995 meeting, the U. T. Board of Regents approved a set-aside of \$3,000,000 from PUF Bond Proceeds to be used as matching funds for proposals to be submitted to the Telecommunications Infrastructure Fund (TIF) program. The TIF program has been delayed, and it now appears that most of this reserve will be carried forward to Fiscal Year 1997. Because the proposed match of private funds and the renovation and equipping of undergraduate computer labs proposed by U. T. Arlington will accomplish many of the same objectives as a match from the TIF program, this reserve is recommended as a source of funding for a portion of the challenge grant. The balance of the challenge grant can be funded in Fiscal Year 1997 from this reserve, the regular Fiscal Year 1997 reserve for library, equipment, repair and rehabilitation (Fiscal Year 1997 LERR) or from other sources as may be appropriate at the time.

6. U. T. Health Science Center - San Antonio: Recommendation to Approve the Sale of Real Estate Located in Kerr County, Texas, and Authorization to Execute Documents Related Thereto.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Howe that the U. T. Health Science Center - San Antonio be authorized to sell approximately 316.81 acres of land in Kerr County, Texas, for \$475,000 to Ms. Cynthia Ann Carlton, Austin, Texas.

It is further recommended that the Executive Vice Chancellor for Business Affairs be authorized to execute all documents pertaining to the sale.

BACKGROUND INFORMATION

In December 1969, the U. T. Board of Regents authorized the U. T. Health Science Center - San Antonio to acquire this property by exchange of some other property with the Texas Department of Mental Health and Mental Retardation. Initially used for teaching and research purposes by the Department of Laboratory Animal Resources, the property has not been in use for several years and is now considered surplus land. The \$475,000 sale price of the contract with Ms. Carlton is supported by a recent independent real estate appraisal performed by Binford & Associates, Kerrville, Texas.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE
Committee Chairman Lebermann

Date: February 8, 1996
Time: Following the meeting of the Business Affairs and
Audit Committee
Place: Room 310, Geological Sciences Building
U. T. El Paso

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1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter III, Section 16 (Leaves of Absence Without Pay).--

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 Regents' Rules and Regulations, Part One, Chapter III, Section 16 be amended as set forth below in congressional style:

Sec. 16. Leaves of Absence Without Pay.

- 16.1 With the interest of the institution being given first consideration and for good cause, leaves of absence without pay may be granted for a period within the term of appointment of a member of any faculty or staff, subject to the general conditions included herein. Leaves of absence for a first year or portion thereof or a second consecutive year's leave may be granted by the chief administrative officer. Leaves of absence for a third consecutive year will be granted only for the reasons outlined in this Subsection, Subsection 16.3, and Subsection 16.4, following review and approval by the appropriate Executive Vice Chancellor.
- 16.2 The maximum period for which a leave of absence will be granted is the end of the fiscal year in which the leave begins. In the case of faculty, the date for return to duty will generally coincide with the beginning of the next semester, following the period of absence. [~~In-normal-circumstances,-leaves-for-up-to-one-year-will-be-granted-liberally,-provided-the-department-so-recommends-and-can-supply-satisfactory-replacements,-The-first-period-of-leave-of-absence-may-be-approved,-subject-to-the-general-conditions-included-herein,-by-the-chief-administrative-officer,-Requests-for-second-and/or-third-year-leaves-under-this-section-must-be-submitted-to-the-appropriate-Executive-Vice-Chancellor-and-to-the-U.-T.-Board-of-Regents-for-approval-via-the-docket.~~]
- 16.3 Except in unusual circumstances, such as military service, reasons of health, continued graduate study, and public service or other activity that reflects credit on the institution and enhances an individual's ability to make subsequent contributions to the institution, a second consecutive year of leave will not be granted.

- 16.4 Except in very unusual circumstances a third consecutive leave of absence for one year will not be granted.
- 16.5 After a return to duty of one year, the leave-of-absence privilege will again be available, subject to the conditions above.

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This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

The proposed amendment to the approval procedures for leaves of absence without pay removes the requirement of separate U. T. Board of Regents' approval for leaves involving a second or third consecutive year's leave. The leaves will be approved instead by the chief administrative officer, with only the third consecutive year's leave requiring review and approval by the appropriate Executive Vice Chancellor. Approval will be documented in the annual operating budgets, with revised budget instructions issued to cover this item.

In addition, redundant language is removed from Subsection 16.2 and a clarification on eligibility for leave availability is added to Subsection 16.5.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 (Use of University-Owned Facilities) and Part Two, Chapter X, Section 9 (Student Union Facilities).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 regarding use of university-owned facilities be amended as set forth below in congressional style:

Sec. 6. Use of Property, Buildings, or [University-Owned] Facilities.

- 6.1 The [~~campuses-of-the-component-institutions-of The-University-of-Texas-System-and-the~~] property, buildings, and [or] facilities owned or controlled by the U. T. System or component institutions are not open for assembly, [~~and expression-of-free~~] speech, or other activities as are the public streets, sidewalks, and parks. The responsibility of the Board of Regents to operate and maintain an effective

and efficient system of institutions of higher education requires that the time, place, and manner of ~~[the-exercise-of-the-right-of]~~ assembly, ~~[and-free]~~ speech, and other activities on the property ~~[grounds]~~ and in the buildings and facilities of the U. T. System or ~~[various]~~ component institutions be regulated. Acting pursuant to the general authority of Chapter 65 of the Texas Education Code and the specific authority of Chapter 51 of the Texas Education Code, the Board of Regents adopts and promulgates ~~[the-Rules-and-Regulations-of]~~ this Section ~~[and-this-Chapter]~~ relating to the use of property, ~~[institutional]~~ buildings, ~~[grounds]~~ and ~~[other]~~ facilities for ~~[purposes]~~ other than regular academic and administrative purposes ~~[use]~~.

6.2 No person, organization, group, association, or corporation may use property, buildings, or facilities owned or controlled by the U. T. System or a component institution for any purpose other than in the course of the regular academic or administrative programs or activities of the U. T. System or component institution, unless authorized by the Regents' Rules and Regulations. Any authorized use must be conducted in compliance with the provisions of the Regents' Rules and Regulations, the approved rules and regulations of the component institution, and applicable federal, state, and local laws and regulations.

6.3 [6-2] Identification Required.--~~[a]~~ Pursuant to the authority conferred upon the Board of Regents by Section 51.209, Texas Education Code, in order to protect the safety and welfare of students, faculty, and staff, ~~[and-employees-of-the-component-institutions-of-the-System]~~ and to protect the property, buildings, and facilities of the U. T. System and component institutions, it is ~~[hereby]~~ declared to ~~[that it-shall]~~ be unlawful for any person who is on any property or in a building or facility ~~[either]~~ owned or controlled by the U. T. System or a ~~[any]~~ component institution to refuse to identify himself or herself in response to a request by an institutional representative ~~[in-response-to-a-request]~~. For the purpose of this Subsection, a person identifies himself or herself by: (1) giving his or her name and complete address substantiated by a current driver's license, voter registration card, or other official documentation; and (2) stating truthfully whether ~~[or-not]~~ he or she is a student ~~[at-the-institution-and-whether]~~ or ~~[not-he-or-she-is an]~~ employee of the U. T. System or a component institution.

6.31 ~~{b}~~ For the purpose of this Subsection ~~{a}~~, an "institutional representative" is:

- (a) ~~{1}~~ any member of the Board of Regents of the U. T. System or the Executive Secretary to the Board;
- (b) ~~{2}~~ any executive officer or administrative officer of the U. T. System ~~{including-the-Chancellor, Executive-Vice-Chancellors, Vice-Chancellors, and-the-Director-of-Police}~~;
- (c) ~~{3}~~ any administrative officer of a ~~{the}~~ component institution ~~{including-the-chief-administrative-officer, assistants-to-the-chief-administrative-officer, vice-presidents, dean-of-students, and-any-associate-or-assistant-dean-of-students}~~; and
- (d) ~~{4}~~ any attorney ~~{peace-officer, or security-officer}~~ of the U. T. System or a ~~{the}~~ component institution.

6.32 ~~{e}~~ Any person who refuses to identify himself or herself in accordance with this Subsection ~~{a}~~ is guilty of a misdemeanor ~~{and-upon-conviction-is}~~ punishable by a fine of not more than \$200.

6.33 ~~{d}~~ Students, faculty, or staff who refuse ~~{Any-student-or-employee-who refuses}~~ to identify themselves ~~{himself or-herself}~~ in accordance with this Subsection are also ~~{a-is, in-addition to-the-penalty-prescribed-in-Subsection {e},}~~ subject to disciplinary action ~~{discipline}~~.

6.4 ~~{6-9}~~ Fountains, Artificial Bodies of Water, and Other Facilities.--Pursuant to the authority conferred upon the Board of Regents by Sections 51.202 and 51.204, Texas Education Code, in order to protect the safety and welfare of students, faculty, and staff ~~{and employees-of-the-component-institutions-of-the System}~~ and to protect the property, buildings, and facilities of the U. T. System and component institutions, it is ~~{hereby}~~ declared ~~{that-it-shall}~~ be unlawful for any person to enter, walk, run, lie, play, remain, or be in the water of any fountain or other artificial body of water located on property owned or controlled by the U. T. System or a ~~{the-campus-of-any}~~ component institution unless such person has the prior written ~~{shall have-theretofore-been-granted}~~ permission of ~~{by}~~ the chief administrative officer of the U. T. System or the component ~~{that}~~ institution to enter, remain, or be in such water.

6.41 [(a)] It shall further be unlawful for any person to dump, throw, place, or cause [to-be-placed] any material, object, person, animal, trash, waste, or debris to be placed in such [the-water-of-any] fountain or other artificial body of water [located-on-the-campus-of-any-component institution-of-the-System].

6.42 [(b)] It shall also be unlawful for any person to damage, deface, or remove any portion of any fountain, monument, building, statue, structure, facility, tree, shrub, or memorial located on property owned or controlled by the U. T. System or a [the-campus-of-any] component institution [of-the-System].

6.43 [(c)] Any person who violates any provision [portion] of this Subsection is guilty of a misdemeanor punishable [6-3 shall-upon-conviction-thereof-be-punished] by a fine of not more than \$200.

6.44 [(d)] Students, faculty, or staff who violate [Any-student-or-employee-who violates] any portion of this Subsection are also [6-3-shall--in-addition-to-the penalty-prescribed-above-be] subject to disciplinary action [discipline].

6.5 [6-4] Alcoholic Beverages.--The use of alcoholic [intoxicating] beverages is prohibited on property and in [classroom] buildings[7-laboratories7-auditoriums7-library buildings7-museums7-faculty] and [administrative-offices7-intercollegiate-and intramural-athletic] facilities owned or controlled by the U. T. System or a component institution [7-and-all-other-public-campus areas]. However, [with-the-prior-consent-of] the chief administrative officer of the U. T. System or a component institution [7-the foregoing-provisions-of-this-Subsection] may waive this prohibition [be-waived] with respect to any [specific] event [which-is] sponsored by the U. T. System or the component institution. An event is sponsored if a budgeted office, department, or division of the U. T. [In-any case7-state-law-will-be-strictly-enforced-at all-times-on-all-property-controlled-by-the] System or the [and-its] component institution[s] is responsible for organizing the event, inviting attendees, and paying expenses related to the event, including the purchase of food and beverages. Meetings or events organized and presented by registered faculty, staff, or student organizations are not events sponsored by the U. T. System or the component institution. This Subsection does not apply to areas that are licensed under state law for the sale and service of alcoholic beverages or to a Special Use Facility during use by a noninstitutional individual, group, association, or corporation for purposes permitted by Subsection 6.(10). State law relating to alcoholic beverages will be strictly enforced at all times on property and in buildings and facilities owned or controlled by the U. T. System or a component institution.

[6-5-No-individual,-organization,-group,
association,-or-corporation-may-use-the
grounds,-buildings,-or-facilities-owned-or
controlled-by-any-component-institution-or-by
the-System-except-as-permitted-by-the
provisions-of-the-Regents'-Rules-and
Regulations-and-approved-institutional-rules
and-regulations.]

6.6 Solicitation.--No solicitation shall be conducted on property or in buildings or facilities owned or controlled by the U. T. System or a component institution unless permitted by the Regents' Rules and Regulations. [6-61] The term "solicitation" [as-used-herein] means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization; the receipt of or request for any gift or contribution; or [and] the request to support or oppose or to [that-a] vote [be-cast] for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to state or federal law or local ordinances.

6.61 [6-62] The following [No] solicitation activities shall not be [conducted-in-any building,-structure,-or-facility-of-any component-institution-or-of-the-System. The-following-activities-shall-be-deemed not-to-be-solicitations] prohibited by this Subsection when [if-they-are] conducted at a time and place designated in accordance with the approved rules and regulations of the U. T. System or the [a] component institution. Such activities must be conducted [and] in a manner that does [will] not disturb or interfere with the academic [or-institutional] programs or administrative activities of the U. T. System or the component institution or any program or activity that is authorized or sponsored by the U. T. System or component institution; does [being-carried-on-in-a building,-structure-or-facility,-or-do] not interfere with entry to or exit from a building, structure, or facility; does not interfere with the flow of pedestrians or vehicular traffic on sidewalks or streets; does not harass, embarrass, or intimidate the person or persons being solicited; and does not violate applicable state, federal, or local law or regulation:

(a) [1] The distribution, sale, or offer for sale of a [any] newspaper, magazine, or other publication by

means of an unattended rack or vending machine in [an] area(s) designated in advance by the chief administrative officer of the U. T. System or a component institution or his or her delegate for the conduct of such activity.

- (b) ~~{2}~~ The sale or offer for sale of [any] food, drink, or any other product ~~[or-service]~~ that may be lawfully sold by means of a vending machine that is operated by the U. T. System or component institution or a [its] subcontractor of either, under an approved written agreement, in an area designated in advance by the chief administrative officer of the U. T. System or the component institution or his or her delegate ~~[for-the-conduct-of-such-activity]~~.
- (c) ~~{3}~~ The sale or offer for sale by the U. T. System or [a] component institution or a [its] subcontractor of either, under an approved written agreement, of any publication of the U. T. System or the component institution or of any book or other printed material to be used in the regular academic work of the component institution.
- (d) ~~{4}{a}~~ Any [The-operation-by-the institution-of-any] service or service facility [maintained] for the convenience of the students, staff, [and/or] faculty, patients, or bona fide visitors that is operated or maintained[~~-(b)-~~The-operation] by the U. T. System or component institution or by a [institution's] subcontractor or lessee of either, under an [~~through-appropriate written-agreements~~] approved [as-to content-by-the-chief-administrative officer-of-the-institution-and-the appropriate-Executive-Vice Chancellor,~~as-to-form-by-the-Office of-General-Counsel,~~and-by-the-Board of-Regents-through-the-Chancellor's Bocket~~-of-one-of-the-following services-or-facilities,~~maintained for-the-convenience-of-the-students, staff-and/or-faculty~~] written agreement, including, but not limited to:~~ (1) any bookstore, specialty store, laundry, pharmacy, cafeteria, or food service; (2) a child care facility ~~[~~limited to children or bona fide [bonafide] dependents of students, faculty, or staff; [and/or faculty]~~]~~ (3) a state or federal credit union with [~~the~~] membership [in-which-must-be] limited primarily to students, faculty, and staff of

the component institution [~~but-which may-include:--students, faculty,~~] and [~~staff-of~~] other area institutions of higher education [~~students,~~ [~~faculty, and-staff~~] or other component institutions and [~~of~~] the U. T. System, [~~staff-members-of-the System-Administration,~~] and the officers and employees [~~staff members~~] of organizations closely related to the component institution's educational mission, such as officially recognized alumni associations [~~ex-student organizations~~] and cooperative bookstores; [~~;~~] (4) private post office boxes under an approved written agreement that limits [~~{~~] the use [~~of-which-must-be-limited-~~] to students, faculty, and staff of the component institution; [~~;~~]

(5) unmanned teller machines under an approved written [~~{any}~~] agreement that [~~for-the-placement-of-which-must include-a-provision-expressly~~] prohibits [~~prohibiting~~] advertising the location of the unmanned teller machine to the general public; [~~;~~] or (6) a travel agency under an approved written agreement that limits [~~{~~] the use [~~of-which-must-be-limited~~] primarily to students, faculty, and staff of the component institution and prohibits [~~which-agency-must agree-to-undertake-no-public~~] advertising [~~concerning~~] the institutional location of the travel agency to the general public [~~facility~~].

(e) [~~{5}~~] The sale or offer for sale by the U. T. System or component institution or a [~~its~~] subcontractor of either, under an approved written agreement, of food, [and] drink, souvenirs, novelty items, and programs at athletic contests or [at any] other programs or events sponsored or authorized by the U. T. System or component institution.

(f) [~~{6}~~] The solicitation of membership and the collection of membership fees or dues by registered student, faculty, or staff organizations at scheduled meetings of such organizations or when otherwise conducted in accordance with the approved rules and regulations of the component institution. Such fees or dues may be used only by the organization [~~tuition-and-fees-in connection-with-enrollment-of-a student-in-any-course-or-degree program~~]. No funds may be solicited or collected by such organizations for or on behalf of any individual, association, or corporation.

~~[(7)--The-collection-of-membership fees-or-dues-by-registered-student, faculty,-or-staff-organizations-at meetings-of-such-organizations scheduled-in-accordance-with-the facilities-use-regulations-of-any component-institution.]~~

(g) ~~[(8)]~~ The collection of admission fees for the exhibition of movies or for other programs that are sponsored or presented by the U. T. System or component institution or, if [by-a registered-faculty,-staff,-or-student organization,-when] permitted by and scheduled in accordance with the approved rules and [facilities-use] regulations of the component institution, by the students' association or by a registered student, faculty, or staff organization.

(h) ~~[(9)]~~ ~~[The]~~ S[s]olicitation of funds by any organization that can present to the chief administrative officer of the U. T. System or component institution, or his or her delegate, written evidence from the Internal Revenue Service that the organization has been granted an exemption from taxation under Section 501(c)(3), [Internal Revenue Code]. Such solicitation must be conducted in an area(s) designated for that purpose by such chief administrative officer or his or her delegate. Persons soliciting on behalf of an organization must have credentials identifying them as authorized agents of the organization. Permission to solicit shall not be used by the organization as an endorsement by the U. T. System or the component institutions. No organization may solicit under this subdivision for more than a total of fourteen days, whether continuous or intermittent, during each state fiscal year.

(i) ~~[(10)]~~ Occasional sales or offers of sales of goods or services that ~~[otherwise]~~ comply with applicable federal, state, and local laws and regulations [municipal-ordinances] and are conducted solely for the resident(s) [in-the-privacy] of an individual university residence hall room or an individual apartment when a [the] resident of such room or apartment has given specific invitation in advance for salespersons to come to the individual residence hall room or individual apartment for that purpose. This exception does not authorize[,-provided-that-neither] sales or [nor] offers of sales of

goods or services within a university residence hall room or apartment by the occupant, ~~[thereof-on-a continuing-or-scheduled-basis,-nor]~~ door-to-door sales or offers of sales of goods or services, or sales or offers of sales of goods or services to persons who are present in an individual residence hall room or apartment but are not residents of such room or apartment [are-included in-the-activity-permitted-by-this exception].

- (j) ~~{i}~~ The acknowledgement of a sponsor of an athletic event or an advertisement announced over a public address system or displayed on a scoreboard or electronic message center [by-scoreboard,-electronic message-or-banner-displayed] at an athletic event or displayed in athletic facilities at locations designated for that purpose pursuant to an approved [institutional] policy [concerning-approval-and-selection] of the component institution [advertisement].
- (k) Advertising displayed on an outdoor electronic marquee or message center owned and operated by the U. T. System or a component institution.
- (l) Advertising and merchandise displayed at an athletic tournament that is sanctioned by the official national or international organization for such athletic competitions; provided that, such advertising and merchandise is required to be displayed under the terms of one or more contractual agreements between such organization and one or more sponsors and such contracts were in effect prior to the date that a component institution was selected as the site for the tournament.
- (m) The sale or offer for sale by a registered student organization of charitable raffle tickets on behalf of an organization that is authorized to conduct a charitable raffle under the provisions of Article 179(f), Vernon's Texas Civil Statutes.
- (n) The display and demonstration by manufacturers and distributors of word processing hardware and software suitable for use by students in the academic programs of a component institution. Such activities may be conducted once each academic year upon invitation by the chief administrative officer of the component institution or his or her delegate and must be limited to the time and place designated by and under guidelines specified and controlled by the component institution.

(o) Oral presentations and the distribution of informational material related to the U. T. System programs providing health benefits, life insurance, disability income insurance, tax sheltered annuities, and retirement benefits for officers and employees of the U. T. System and component institutions. Such activities may be conducted only at meetings scheduled for that purpose by the U. T. System Office of Human Resources and must conform to the guidelines established by that office.

(p) Solicitation by the officers or employees of the U. T. System or component institution acting in the course and scope of their authority.

6.62 [6-63 ~~No-solicitation-shall-be-conducted on-the-grounds,-sidewalks,-or-streets-on the-campus-of-any-component-institution-or of-the-System,-except-by-the-agents, servants,-or-employees-of-that-institution acting-in-the-course-and-scope-of-their agency-or-employment,-or-by-the-students' association-of-that-institution,-or-by-a registered-student,-faculty,-or-staff organization-at-that-institution-~~

~~(i)-Solicitation-made-pursuant-to-the terms-of-Subdivision-6-63-must-be conducted-in-such-a-way-(a)-that-it will-not-disturb-or-interfere-with the-academic-or-institutional programs-being-carried-on-in-campus buildings,-(b)-that-it-will-not interfere-with-the-free-and-unimpeded flow-of-pedestrian-and-vehicular traffic-on-sidewalks-and-streets-and at-places-of-ingress-and-egress-to and-from-campus-buildings,-and-(c) that-it-will-not-harass,-embarrass, or-intimidate-the-person-or-persons being-solicited.] If, after [such] reasonable investigation it is determined [as-the-Dean-of-Students shall-deem-appropriate-(which investigation-shall-afford-the accused-organization-every-right guaranteed-by-the-due-process-clauses of-the-United-States-and-Texas Constitutions)-the-Dean-determines] that [a] solicitation is being or has been conducted in violation of the Regents' Rules and Regulations or the approved rules and regulations of the U. T. System or component institution (1) a student or employee will be subject to such disciplinary action as may be appropriate, and (2) the registered status of a faculty, staff, or student organization may be canceled or suspended, or such~~

~~organization may be prohibited [a manner violative of this Subsection, the Dean shall prohibit the offending organization] from solicitation [on the campus] for such period or periods of time as may [shall be determined to] be appropriate [and in the case of repeated violations of these solicitation rules, the Dean may cancel the registered status of the offending organization or impose other appropriate penalties].~~

6.63 [(2)] The students' association and each registered student organization shall, within thirty days after [of] the beginning of each [the following] long session semester, file with the Dean of Students or other appropriate official a statement fully [and fairly] disclosing the sources and amounts of money [which it] obtained from solicitations [~~sales, contributions, and/or other revenues~~] on the campus during the preceding semester or summer session and fully [and fairly] disclosing the purposes [beneficiaries] and amounts of the expenditures [which it] made during the preceding semester or summer session. Registered faculty and staff organizations must file reports of such information with the chief business officer of the component institution [A registered student organization which during a semester or summer session received no money or thing of value other than from its own members need file only a statement to that effect]. Any organization failing to comply with the provisions of this Subsection [paragraph] shall be prohibited from solicitation activities [on the campus] until the [such] organization files the required report [places itself in compliance].

~~[(3)]--The distribution at no cost by a students' association or a registered student, faculty or staff organization of a newspaper, magazine or other publication that contains paid advertising and is published at the sole expense of such organization shall comply with the provisions of Subdivisions 6.63(1) and 6.63(2).]~~

6.7 Use of Property, Buildings, or [Physical] Facilities [of the System] by Students' Associations; Registered Student, Faculty, or Staff Organizations; or Officially Recognized Alumni Associations.--Subject to constitutional and statutory restrictions on the use of state property for religious or political purposes, a students' association; a registered [6.71-Registered] student, faculty, or staff

organization[s-or]; or an [any] officially recognized alumni association that qualifies under Subdivision 6.61(h) [6-62(9)] of this Section and whose fund-raising activities are dedicated to the benefit of the U. T. System or a [any] component institution, may reserve and use property, [an-institution's] buildings, or facilities owned or controlled by the U. T. System or component institution for purposes permitted by the Regents' Rules and Regulations. Such use must have prior written authorization, must conform to the time, place, and manner provisions of the approved rules and [for-grounds-in-compliance-with-reasonable-and-nondiscriminatory-institutional] regulations of the U. T. System and component institution, and must be conducted in compliance with Subsection 6.61 [that-shall specify-the-procedures-under-which-such organizations-may-reserve-the-institution's buildings-and/or-grounds-for-their-use---Groups of-students,-faculty-or-staff-who-are-not registered-or-groups-of-alumni-other-than officially-recognized-alumni-associations-whose fund-raising-activities-are-dedicated-to-the benefit-of-any-component-institution-may-not use-the-institution's-buildings-and/or grounds].

6.71 A students' association, a r[R]egistered student, faculty, or staff organization[s], or an alumni association[s] may not reserve or use property, buildings, or facilities owned or controlled by the U. T. System or a component institution for the [enter-into] joint sponsorship of any [on-campus] project, [or] program, or activity with any association, organization, or corporation, or with any individual or group of individuals [with-individuals, groups,-or-students] that are not registered.

6.72 Students, faculty, or staff, a students' association, [Reasonable-and nondiscriminatory-regulations-may-be promulgated-to-authorize-students-and] or a registered student, faculty, or staff organization[s], with prior written authorization, may [under-specified conditions,-to] petition, post signs, set up booths, [and/]or peacefully demonstrate on property owned or controlled by the U. T. System or component institution [the campus---Such-regulations-shall-prohibit any-activity-that-would-interfere-with academic-and-institutional-programs].

6.73 No person, including [whether-or-not] a student [or-employee] of a component institution, shall [publicly] distribute [on-the-campus-of-any-such-institution] any petition, handbill, object, or piece of literature; post or carry any sign, placard, or banner; or engage in speech or

conduct on property or in buildings or facilities owned or controlled by the U. T. System or a component institution if it [that] is obscene, libelous, or directed to inciting or producing imminent lawless action and is likely to incite or produce such action.

~~[6.74--No person, whether or not a student or employee of a component institution, shall post or carry any sign or poster that is obscene, libelous, or directed to inciting or producing imminent lawless action and is likely to incite or produce such action.]~~

~~6.75--No person, whether or not a student or employee of a component institution, shall install, occupy, or use on the campus of any such institution any booth, if the use of the booth is wholly or partly for the distribution or dissemination of words or material that are obscene, libelous, or directed to inciting or producing imminent lawless action and are likely to incite or produce such action.--For the purpose of this provision, the word "booth" includes furniture, enclosure, and any other structure temporarily installed for distributing petitions, handbills, or literature, or for displaying signs, or for raising funds or soliciting tangible items.]~~

6.8 Student Center or Student Union.--The use of student center or student union facilities of a [on the campus of each] component institution shall be subject to Regents' Rules and Regulations and to the approved rules and [reasonable and nondiscriminatory] regulations of [promulgated by that center's or union's governing board and] the component institution [and included in the Handbook of Operating Procedures].

6.9 Joint Sponsorship of the Use of Property, Buildings, or Facilities.--Except as permitted in Subsection 6.61, Subsection 6.(10), and Subsection 6.(11), the use of property, buildings, or facilities owned or controlled by the U. T. System or a component institution by individuals who are not students, faculty, or staff; by groups that are not registered [Extracurricular] student, faculty, or staff organizations; or by associations or corporations for programs or activities shall be subject to the following conditions [involving the use of System-owned buildings and grounds shall be conducted in accordance with local, state and national law and in accordance with the applicable System and institutional regulations.--Such activities shall not disrupt or disturb the academic and institutional programs and shall not result in damage to or defacement of property].

~~[6-(10)-Use-of-Grounds-and-Physical-Facilities-by Outside-Groups, the-System-as-a-Joint-Sponsor. Use-of-grounds-and-physical-facilities-of-the System, especially auditoriums, gymnasiums, and large-rooms, by outside individuals, groups or associations shall be subject to the following rules in which the "System" shall include any component institution.]~~

6.91 ~~[6-(10)1]~~ The program or activity [System will not permit the unrestricted use by non-System groups of any of its facilities.--Whenever non-System groups share in the use of System buildings, it] must be upon the invitation of, and jointly sponsored by, the U. T. System or component institution [under its joint sponsorship, and with the further understanding that all conditions governing such sponsorship are to be set by the System]. Only the chief administrative officer of the U. T. System or component institution, or his or her delegate, can authorize joint sponsorship.

6.92 ~~[6-(10)2]~~ In order for [The System will enter into] joint sponsorship to be appropriate, [of a project or program only if] the educational implications of a program or activity must be [are] self-evident, must [and] directly supplement the educational purposes of the U. T. System or component institution, and must not result in financial [and there is to be no private] gain for the invited individual, group, association, or corporation [cooperating individuals, group or associations].

~~[6-(10)3-The System, established as a public institution without regard to political affiliation or religious faith, cannot be a joint sponsor with any noncampus organization for political or sectarian gatherings.--However, the appearance by or on behalf of a candidate for public office may be authorized under conditions prescribed by the Board in Section 7.2 of this Chapter.]~~

6.93 ~~[6-(10)4]~~ The U. T. System or component institution will be responsible for all details of the [under-when-entering-into-joint sponsorship-of-any] program or activity, including the collection of any fee for participation or attendance, and must [assumes full responsibility for all details and reserves the right to] approve all copy for advertising and [as well as] news releases.

6.94 ~~[6-(10)5]~~ The [It shall be understood that the] scheduling of property, buildings, or [the System's] facilities for programs or [System] activities of the U. T. System or component institution shall always have priority over the scheduling [of facilities] for programs or activities that are jointly sponsored [functions other than System activities].

6.95 [~~6-(10)6~~] [~~In-the-case-of-programs-for which-the-System-is-a-joint-sponsor-with an-individual, group-or-organization, the~~] The fee to be paid by the invited individual, group, association, or corporation [co-sponsor] will be a matter for negotiation in each case and will be specified in the agreement providing for the joint sponsorship. At a minimum, the fee must ensure recovery of the cost incurred by the U. T. System or component institution.

6.96 As public institutions without political or religious affiliation, the U. T. System or component institutions cannot be a joint sponsor of political or sectarian religious events.

6.(10) [~~6-(11)~~] Special Use Facilities.--

Notwithstanding any other provisions of this Chapter, the chief administrative officer of a component institution may designate specific facilities [~~of-a-component-institution~~], such as special event[s] centers, conference centers, concert halls, theaters, or auditoria, as Special Use Facilities. The chief administrative officer shall cause to be prepared and submitted for approval, as a part of the Handbook of Operating Procedures of the component institution, appropriate rules and regulations for the reservation and use of [~~such-designated~~] Special Use Facilities. The [Such] rules and regulations must restrict the reservation and use of such facilities in accordance with the following:

6.(10)1 [~~6-(11)1~~] Designation as a Special Use Facility shall not constitute the facility [~~as~~] a public facility or forum that is open to use by individuals, [non-University persons,] groups, associations, or corporations on a first come, first served basis.

6.(10)2 [~~6-(11)2~~] Priority in the reservation and use of Special Use Facilities shall be given to programs and activities of the U. T. System or [and-events-sponsored-by-the] component institution that are in furtherance of and related to the educational, cultural, recreational, and athletic programs of the U. T. System or component institution.

6.(10)3 [~~6-(11)3~~] As a lower priority, the [~~institutional~~] rules and regulations may provide for reservation and use of Special Use Facilities by [~~non-University~~] individuals, groups, associations, or corporations[7] without the necessity of joint sponsorship by the U. T. System or component institution. Rates must [The-institution-shall-establish rates-to] be charged for the use of

the Special Use Facility that ~~[facility-that-will]~~, at a minimum, ensure ~~[insure]~~ recovery of that part of the operating cost of the facility attributable directly or indirectly to such ~~[non-University]~~ use. If the ~~[non-University]~~ user charges those attending an event any admission or registration fee, or accepts donations from those in attendance, the component institution shall require the user to make a complete account of all funds collected and of the actual cost of the event. If the funds collected exceed the actual cost of the event, the ~~[non-University]~~ user shall be required to remit such excess funds to the component institution as an additional charge for the use of the Special Use Facility.

6.(10)4 ~~[6-(11)4]~~ Subject to all constitutional and statutory provisions relating to the use of state property or funds for religious or political purposes, and subject to Subsection 6.(10)3 ~~[6-(11)3-above]~~, Special Use Facilities may be made available for religious and political conferences or conventions. Religious organizations applying for use of a Special Use Facility must submit written evidence from the Internal Revenue Service that the organization has been granted an exemption from taxation under Section 501(c)(3) of the Internal Revenue Code. Political organizations applying for use of a Special Use Facility must present written evidence that the organization had candidates for either state, district, or local offices listed on the ballot at the last general election. ~~[A-religious or-political-organization-shall-be permitted-to-use-a-Special-Use Facility-only-one-time-during-a calendar-year-]~~

6.10(5) ~~[6-(11)5]~~ The rules and regulations applicable to a Special Use Facility may provide ~~[procedures]~~ for the rental of space for display of advertising and the display of samples of merchandise in designated areas inside the Facility that have been approved by the chief administrative officer of the component institution or his or her delegate, and for advertising by [lighted] displays on an electronic scoreboard or message center inside the Facility or an outdoor electronic marquee or message center on or immediately adjacent to the Facility. Such rules and regulations may

further provide [procedures] for the sale of advertising space on ticket envelopes for events sponsored by the Facility and in any publication of the Facility distributed in connection with a sponsored event or announcing future sponsored events.

6.(11) Use of Property, Buildings, or Facilities for Filming Motion Pictures or Television Productions.--The chief administrative officer of the U. T. System or a component institution or his or her delegate may authorize the use of property, buildings, or facilities owned or controlled by the U. T. System or component institution for filming motion pictures or television productions under a written agreement approved pursuant to U. T. System procedures. Requests to film a motion picture or television production will be reviewed and considered on a case by case basis and, subject to the provisions of this Subsection, it shall be within the discretion of the chief administrative officer or his or her delegate to determine whether to grant the request. The safety of students, faculty, and staff; the potential for damage to buildings, facilities, or property and for disruption of administrative or academic programs or other scheduled activities; and the subject matter of the film shall be of primary consideration in determining whether to grant a filming request.

6.(11)1 The chief administrative officer or his or her delegate will be responsible for assuring that scheduled time(s) and location(s) for filming do not interfere with administrative and academic programs or other scheduled activities of the U. T. System or component institution.

6.(11)2 The U. T. System or a component institution shall not be identified as the filming location in the film credits or in any media advertising for the film. The film may not include any building, statue, fountain, facility, mark, symbol, or logo that identifies the U. T. System or a component institution as the filming location. This prohibition shall not apply to the filming of an approved script that relates to the life and accomplishments of a present or former officer or employee of the U. T. System or of the component institution at which the script is filmed.

6.(11)3 The script for the motion picture or television production must be approved by the chief administrative officer or his or her delegate.

- 6.(11)4 The production company must have been in existence for at least three (3) years and produced one or more motion pictures that have been distributed and exhibited nationwide or one or more television programs that have been broadcast by a major television network, e.g. ABC, CBS, FOX, NBC.
- 6.(11)5 The production company must provide a policy of comprehensive general liability and property damage insurance issued by a company authorized to do business in the State of Texas naming the Board of Regents, the U. T. System, the component institution, and the officers and employees of each as additional insureds, providing coverage for bodily injury and death of persons and damage to property that result directly or indirectly from the negligent or intentional act or omission of, or from the use or condition of any property, equipment, machinery, or vehicle used, operated, or controlled by, the production company or its officers, employees, agents, or subcontractors while on property owned or controlled by the U. T. System or a component institution. The limits of coverage shall be determined by the chief administrative officer or his or her delegate on the basis of the nature and extent of the activities to be conducted by the production company and the property, buildings, or facilities to be utilized. In no event shall the limits of liability for each occurrence be less than five million dollars (\$5,000,000.00) for bodily injury or death of a person and one million dollars (\$1,000,000.00) for property damage.
- 6.(11)6 A use fee will be established in each case based upon the nature and extent of the activities of the production company and the U. T. System or component institution property, buildings, facilities, personnel, and services that are required to accommodate such activities. The use fee must be paid in advance by a certified or cashier's check made payable to the U. T. System or component institution. If the production company cancels a scheduled use, the deposit, less any expense incurred by the U. T. System or component institution in preparation for such use, will be refunded.

It is further recommended that the Regents' Rules and Regulations, Part Two, Chapter X, Section 9 regarding student union facilities be amended as set forth below in congressional style:

Sec. 9. Student Center and Student Union Facilities.--
Rules and regulations for the establishment, administration and operation of student center or union facilities shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures. Rules and regulations for the use of student center or union facilities shall be consistent with the provisions of the Regents' Rules and Regulations, Part One, Chapter VI, Section 6.

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

The proposed changes to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 are intended to clarify permissible activities and use of facilities including solicitation on institutional and U. T. System property and to provide more flexibility to conduct desirable fund raising activities. The proposed changes include reordering and retitling for easier reference. The most significant proposed changes to Section 6 are outlined as follows:

- a. Subsection 6.2 - deletes law enforcement personnel from the list of "institutional representatives" who may require identification under this Regental rule as such action by police is already clearly authorized by the Texas Penal Code
- b. Subsection 6.5 - clarifies regulations related to use of alcoholic beverages
- c. Subsection 6.6 - rewritten to clarify description of impermissible campus solicitations; to authorize additional acknowledgements and advertisements at athletic events; to allow display of advertising and merchandise at certain athletic events; to allow limited display and demonstration of certain computer products upon official invitation; to add new language on distribution of certain publications; to delete redundant language at Subdivision 6.62(a) concerning contract approvals; to include "food service" in addition to "cafeteria" within the permissible commercial activities on campus; to clarify the extent of permissible charitable solicitation by a qualified Section 501(c)(3) entity; and to outline

the parameters for raffles conducted by a registered student organization as authorized by House Bill 227, amending Article 179(f) of Vernon's Texas Civil Statutes, the Charitable Raffle Enabling Act

- d. Subsection 6.(10) - makes policy concerning use of facilities by religious organizations consistent with a recent Supreme Court decision
- e. Subsection 6.(11) - outlines policy for limited permission for filming on campus. This policy was drafted with the assistance of the Texas Film Commission.

The proposed amendment to Part Two, Chapter X, Section 9 adds a clarifying cross-reference between Section 9 and the primary rules governing use of student union and student center facilities contained in Part One, Chapter VI, Section 6.

The substantive changes to these Sections were reviewed by the institutional chief administrative officers prior to publication of the Material Supporting the Agenda. This version of the proposed amendments is being reviewed again by the components prior to the February 1996 U. T. Board of Regents' meeting. If minor changes are required, they will be presented before or at the time of the meeting.

- 3. U. T. System: Recommendation to Amend the Requirement that International Students Maintain Approved Comprehensive Health Insurance or Coverage (Catalog Changes).--

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 U. T. Board of Regents amend its February 1994 requirement concerning comprehensive health insurance or coverage for international students enrolled at U. T. System component institutions as set out below in congressional style:

- a. Require international students holding nonimmigrant visas and living in the United States to maintain approved comprehensive health insurance or coverage while enrolled at U. T. System component institutions, except as provided in item d. below
- b. Authorize each component institution to assess each such international student a health insurance fee (as an incidental fee authorized by Texas Education Code Section 54.504) in the amount of the premium approved for the U. T. System Student Health Insurance Plan for the actual cost of the insurance provided where there is no evidence of continuing coverage under the U. T. System Employee Health Plan

or a comparable mandatory employee plan, continuing mandatory coverage through a government sponsored health plan (which covers health care in the United States and complies with the federal Civil Rights Restoration Act of 1987) or continuing coverage that satisfies the requirements of United States Information Agency (USIA) regulations with regard to J-1 and J-2 visaholders. Further, authorize the assessment of an incidental fee in the amount of the appropriate premium for dependents of J-1 visaholders as required by these federal regulations and require international students to immediately notify the institution should there be a lapse in approved alternative coverage

- c. Encourage all international students to participate in the U. T. System Student Health Insurance Plan
- d. Except from the insurance requirement, students from a bordering nation attending a component institution in a county adjacent to the nation in which the student legally resides
- e. Authorize catalog changes for all component institutions to make this requirement effective with the Fall Semester 1996 [~~1994~~].

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

The U. T. Board of Regents enacted a uniform requirement of comprehensive health insurance or coverage for certain international students at its February 1994 meeting. Following further review and experience with the requirement, the proposed amendment is recommended to exclude certain citizens of a bordering nation (Mexico) from the requirement if they attend a U. T. component institution located in a county which borders on Mexico (U. T. Brownsville, U. T. El Paso, and U. T. Pan American).

The proposed change has been reviewed by the Office of General Counsel and found to be consistent with the goals of federal law (North America Free Trade Act) and to maintain a rational relationship to the University's goals of keeping students in school and to the requirements of the United States Information Agency aimed at preventing visaholders from becoming public charges. The demonstrated problems related to lack of access to medical care for international students have not involved students from Mexico. The proposed change has also been reviewed by the chief administrative officers, the U. T. System Student Insurance Study Group, and the U. T. System Student Advisory Group.

If this recommendation is approved, the Minute Order will reflect that the next appropriate catalogs published at the respective institutions will conform to this action.

4. U. T. Pan American: Request for Authorization to Establish a Master of Arts Degree in Criminal Justice and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Arts degree in Criminal Justice at U. T. Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed master's degree program is consistent with U. T. Pan American's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

The proposed Master of Arts degree in Criminal Justice will be administered by the Department of Criminal Justice at U. T. Pan American. The proposed program has been developed with the following educational objectives:

- a. To enhance students' competence in the principles and methods of criminal justice administration
- b. To prepare students for administrative and management positions in federal, state, and local criminal justice agencies
- c. To prepare students for entry level positions requiring graduate degrees such as selective positions in federal probation, parole, and law enforcement agencies
- d. To prepare students for academic study beyond the master's degree
- e. To develop, through faculty and graduate student research, a criminal justice knowledge base concerning issues unique to the region, including Mexico and South America
- f. To provide a resource for federal, state, and local criminal justice agencies in need of assistance.

All students will take a common core of courses plus designated electives. The proposed program has three options: a thesis option, which requires thesis submittal to a Thesis Committee; an applied project option, which requires project submittal to an Applied Project Committee; and a non-thesis/project option, which requires the student to take an additional six hours of courses from a list of available criminal justice electives and graduate courses from other disciplines. A final written examination is also required for all students. Anticipated date for implementation of the program and admission of students is September 1996 or upon approval by the Coordinating Board.

Need

Because the majority of U. T. Pan American students are bilingual Hispanics, law enforcement agencies will find graduate students in criminal justice particularly attractive candidates for employment in the region. Being near the United States/Mexico border, U. T. Pan American is ideally located to address some of the problems associated with a binational community and with the explosive population growth along the border. According to the McAllen Chamber of Commerce, 7.1 million persons, including citizens of the United States and Mexico, live within a 150-mile radius of McAllen. Yet, while four other master's degree programs in criminal justice are available in Texas, there is a dearth of research about the Mexican and South American criminal justice systems. Research on the criminal justice systems of Mexico and South America is expected to be conducted by both faculty and students.

Based on a survey of 540 undergraduate criminal justice students, 84% indicated a "strong" interest in a master's degree in criminal justice. Of those respondents reporting a 3.0 grade point average or greater (14%), 84% (64 students) indicated they would enroll in the master's program.

Quality

Students must be accepted by the U. T. Pan American Graduate School. Unconditional admission criteria include:

- a. Academic preparation including a bachelor's degree in criminal justice, criminology, corrections, police administration or closely related field; a bachelor's degree in another field with graduate work in political science, psychology, public administration, sociology, or social work; or undergraduate work in statistics, research methods, and criminological theory
- b. A score of 600 or above on the Test of English as a Foreign Language for foreign national students
- c. A grade point average (GPA) of 2.75 or higher for the last 60 semester credit hours for students with a GPA of less than 3.0 overall.

Probationary admission would be considered for applicants not meeting the above criteria, with such students being required to take prerequisite courses, as needed, and to achieve certain grade point averages for continuation in the program.

Currently, four full-time faculty members with terminal degrees are available to teach in the program. One new similarly qualified full-time faculty member is anticipated within the first five years. Beginning in the second year, graduate teaching assistants will be added to teach selected undergraduate courses, thus permitting regular faculty to devote more time to teaching master's-level courses.

Cost

Estimated cost for the proposed program, including previous expenditures of \$10,000 for library resources in the three years prior to anticipated program implementation, is \$287,146 for the first five years. State appropriations are expected to contribute \$94,000 in the last three years of the period and South Texas/Border Initiative funding would contribute \$176,146 of the required amount. Higher Education Assistance Fund resources would make up the difference.

Summary

U. T. Pan American is requesting authorization to establish a Master of Arts degree in Criminal Justice and to submit the proposed program to the Texas Higher Education Coordinating Board for approval. A strong need for this degree exists in the region. The proposed degree will help fill this need and will allow U. T. Pan American to meet the educational needs of students and community constituents in its region.

A copy of the proposal for the Master of Arts degree in Criminal Justice is on file in the U. T. System Office of Academic Affairs.

5. U. T. Pan American: Request for Authorization to Establish a Master of Fine Arts Degree with a Major in Art and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Fine Arts degree with a Major in Art at U. T. Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed master's degree program is consistent with U. T. Pan American's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

The proposed Master of Fine Arts with a Major in Art degree program is a 60 semester credit hour program administered by a graduate art coordinator in conjunction with a graduate studies committee in the Department of Art at U. T. Pan American. Thirty-three hours of studio courses, including 24 hours of concentration courses and nine hours of minor courses, must be taken. Additionally, the student must take twelve hours of art history courses, nine hours of core courses/seminars, and six hours of electives. The proposed program has been developed with the following educational objectives:

- a. To provide art students the opportunity for concentrated study in a major area
- b. To enrich students' backgrounds in art through multicultural experiences
- c. To provide students with the knowledge and credentials necessary to teach art at the university and college levels
- d. To prepare minority students for positions in higher education.

The proposed program includes a requirement for field experiences in Mexico. The purpose of these experiences is twofold: to gain an understanding of the nature of art produced by the Mexican artist and to broaden the student's knowledge within his or her chosen field.

After completing 30 semester credit hours, all students will be reviewed by the graduate committee. The focus of the review will be on the student's studio work and his or her eligibility for the status of candidate for the Master of Fine Arts.

Students also are required to present an exhibition of works, the content of which is determined by the student and the major professor. This requirement includes installation of the exhibit, publicity for the event, and preparation of a graduate paper which would include a physical description of the works and the ideological basis for the exhibit.

Need

While numerous Master of Fine Arts in Art and Master of Arts in Art programs are offered in Texas, none are in the Rio Grande Valley. Many students in this area of Texas cannot afford to leave the area to pursue the master's degree. Since the Master of Fine Arts is considered the terminal degree in studio art, this proposed program would enable students to earn the necessary credentials for university-level teaching and professional art careers as well as to enhance their skills within their current positions. Additionally, because students will have the opportunity to explore the art of Mexico and because only one similar degree program exists in Mexico, interest from Mexican nationals is expected to be high.

In a survey of 122 undergraduate art majors, 87% indicated an interest in pursuing a master's degree. A survey of local employers (primarily local school districts) indicated a highly favorable response regarding the value added to their business in particular (79%) and the Rio Grande Valley in general (92%). From these surveys and other inquiries, annual enrollment is expected to be between 12 and 15 students. The proposed date for implementation of the program and admission of students is Fall 1996, or upon approval by the Coordinating Board.

Quality

Students must be accepted by the U. T. Pan American Graduate School. Additional criteria for admission include:

- a. Academic preparation including a Bachelor of Fine Arts degree (minimum of 60 hours in art) and a grade point average of 3.0 in art studies
- b. Submittal of a portfolio of slides of recent works
- c. Three letters of recommendation from specified individuals
- d. Submittal of a personal statement of purpose.

Currently, seven full-time faculty members are available to teach in the program. Two new full-time faculty members are anticipated within the first five years.

Cost

Estimated cost for the proposed program, including previous expenditures of \$30,000 for library resources and equipment in the three years prior to program implementation, is \$541,958 for the first five years. While state appropriations are expected to contribute \$140,000 in the last three years of the period, South Texas/Border Initiative funding would contribute the majority, \$331,958, of the required amount. Higher Education Assistance Fund resources would make up the balance.

Summary

U. T. Pan American is requesting authorization to establish a Master of Fine Arts with a Major in Art and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval. A demonstrated need exists for this degree in the region. The proposed degree will help to fill this need and will allow U. T. Pan American to meet the educational needs of students and community constituents in its region.

A copy of the proposal for the Master of Fine Arts degree with a Major in Art is on file in the U. T. System Office of Academic Affairs.

6. U. T. Pan American: Request for Authorization to Establish a Master of Science Degree in Computer Science and to Submit the Proposed Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Science degree in Computer Science at U. T. Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed degree program is consistent with U. T. Pan American's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

U. T. Pan American's Master of Science in Computer Science has been designed to:

- a. Prepare students to assume applied computing and computer management positions in business, government and education
- b. Provide continuing education to industry and education professionals in the region
- c. Prepare students to continue graduate studies at the doctoral level.

To be administered by the Department of Computer Science, the proposed Master of Science in Computer Science is a 36 semester credit hour program consisting of 12 core credit hours, 18 elective credit hours and six credit hours of project work. A final examination and a six hour master's project are required of all students. Initial enrollment of students is planned for Fall 1996, or following Coordinating Board approval.

Need

The need for computing professionals continues to increase, both regionally and nationwide. In Texas alone, the Texas Employment Commission predicts that 36,050 new jobs will occur between 1993 and the year 2000, an increase of 41.4%. While 21 Texas universities offer a master's degree in Computer Science, the region served by U. T. Pan American, with a population of 700,000, does not have a graduate program

in computer science. U. T. Brownsville, U. T. Pan American, South Texas Community College, and Texas State Technical College offer undergraduate college courses in computer science which require graduate-level training for their faculties. Representatives of all of these programs have indicated an unmet need for part-time and full-time faculty. Assuming that graduate students would reflect the same ratio as undergraduates, 85% would be Hispanic, and most would have a strong commitment to the Rio Grande Valley.

Potential enrollment has been estimated based on current students, past students with whom contact has been maintained, and other prospective students who have inquired about such a program. Based on this estimated demand, an initial cohort of ten students in the first year is expected, with an average class size leveling out at the mid-twenties within five years.

Program Quality

Standard U. T. Pan American Graduate School admission criteria would apply. For unconditional admission, applicants must have a grade point average of 3.0 on a 4.0 scale, a score of 600 on the Test of English as a Foreign Language (if applicable), three letters of recommendation, and proper undergraduate preparatory work. Probationary admission will be considered in certain circumstances.

Because many students are expected to be employed full-time off campus, at least one course per semester will be offered at night, with other courses offered in the late afternoon. Because this program could attract students from as far as 60 miles away, the use of distance learning techniques, including the Internet and videoconferencing, will be explored. The program complies with the Association for Computing Machinery curriculum guidelines.

Cost

The current computing faculty of seven members, with assistance from ten affiliated faculty from other departments, is sufficient to implement the program. However, four graduate teaching assistants and one staff member will need to be added to the department to allow current faculty to shift some teaching effort from the undergraduate program to the new master's program. As library resources for computer science at U. T. Pan American are relatively weak, an annual allocation of approximately \$7,000 for monographs and journals has been included in the budget. Additionally, Unix workstations are needed at a five-year average cost of approximately \$15,000 per year. Most of the anticipated new costs related to the program will be funded by the South Texas/Border Initiative in the first five years. The program is intended to be formula funded after that time.

Summary

U. T. Pan American is requesting authorization to establish a Master of Science degree in Computer Science and to submit the proposed program to the Texas Higher Education Coordinating Board for approval. A definite regional need exists for

this degree, and the proposed program will help fulfill U. T. Pan American's desire to serve the educational needs of students and employers in the Rio Grande Valley. The program is expected to become self-supporting within five years.

A copy of the proposal for the Master of Science degree in Computer Science is on file in the U. T. System Office of Academic Affairs.

7. U. T. Permian Basin: Request for Authorization to Establish a Master of Professional Accountancy Degree Program and to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Sorber that authorization be granted to establish a Master of Professional Accountancy degree program at U. T. Permian Basin and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The proposed master's degree program is consistent with U. T. Permian Basin's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

The proposed Master of Professional Accountancy degree is a 36 semester credit hour program administered by the faculty of Accountancy and Information Systems within the School of Business at U. T. Permian Basin. The proposed program is designed to meet the new 150 semester credit hour curriculum requirement mandated by the Texas State Board of Public Accountancy to be effective for the November 1997 Certified Public Accountant (CPA) examination. The proposed program builds upon and integrates with the existing bachelor's degree program. Particular attention has been paid to meeting new and emerging requirements currently faced by accounting professionals, such as professional ethics, communication skills, and research skills.

Anticipated date for implementation of the program and admission of students is September 1997 or upon approval by the Coordinating Board.

Need

Beginning in the Fall of 1997, individuals will be required to have completed an accounting curriculum of at least 150 semester credit hours before taking the Certified Public Accountant (CPA) examination in Texas. The minimum requirement for a bachelor's degree is 120 semester credit hours and for a master's degree, 30 semester credit hours. Thus, most students who seek to become Certified Public Accountants will choose to pursue a master's degree rather than to take extra hours beyond those required for a bachelor's degree. Approximately 160 majors are currently enrolled in the undergraduate accounting program at U. T. Permian Basin, which would yield an estimated enrollment of 40 full-time students. (The Coordinating Board indicates that, nationally, 40% of all employed accountants are CPAs.)

Additional demand for the program and selected courses in the program is anticipated from accountants returning to school for graduate work as a matter of personal enrichment or as a job requirement for advancement. The more than 600 CPAs in the Permian Basin area would have available an alternative means of completing the continuing professional education annually required. U. T. Permian Basin is currently a registered provider of continuing education with the Texas State Board of Public Accountancy.

Quality

Seven core accounting courses would be required for the Master of Professional Accountancy, including Advanced Accounting, Information Systems Management, Accounting Theory, Professional Ethics, Advanced Tax, Electronic Data Processing Auditing, and Accounting Research. In addition, students would be required to complete Financial Management: Theory and Techniques; Management Strategy/Policy; and nine hours of graduate business electives. Students who have completed their junior year in the undergraduate program in Accountancy and Information Systems at U. T. Permian Basin with a grade point average (GPA) of 3.0 or better in the last 90 hours of credit may apply for admittance to the Master of Professional Accountancy program. Students who have previously completed a baccalaureate degree may also apply for admission to the Master of Professional Accountancy program. Leveling courses may be required of these students. Admission requirements include taking the Graduate Management Admissions Test (GMAT), with regular status admission requiring a grade point average times 200 plus the GMAT score for a total index of 1120 or higher.

Five full-time faculty support the program. All are CPAs and three hold the Ph.D. degree. Three of the faculty are currently engaged in a research project sponsored by the Texas Society of Certified Public Accountants.

Cost

Additional faculty costs (one new position in year three and another in year five) are anticipated.

No new funding will be required for this program for the first two years of implementation. Such funding that may be required in years three through five will come from the reallocation of existing state appropriations.

The proposed program will not alter significantly the allocation of distribution of funds for the undergraduate program in Accountancy and Information Systems or any related disciplines.

Summary

U. T. Permian Basin is requesting authorization to establish a Master of Professional Accountancy and to submit the proposed degree program to the Texas Higher Education Coordinating Board for approval. New requirements for taking the examination to become a Certified Public Accountant help create a strong need for this degree in the region. The proposed program will help to fill this need and will allow U. T. Permian Basin to meet the educational needs of students and constituents in its region.

A copy of the proposal for the Master of Professional Accountancy degree is on file in the U. T. System Office of Academic Affairs.

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE
Committee Chairman Loeffler

Date: February 8, 1996
Time: Following the meeting of the Academic Affairs
Committee
Place: Room 310, Geological Sciences Building
U. T. El Paso

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1. U. T. Southwestern Medical Center - Dallas (U. T. Southwestern Medical School - Dallas): Recommendation for the Establishment of (a) a Department of Molecular Biology and Oncology and (b) a Department of Plastic Surgery and to Submit the Proposals to the Coordinating Board for Approval (Catalog Change) Effective September 1, 1996.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that authorization be granted for the U. T. Southwestern Medical School - Dallas at the U. T. Southwestern Medical Center - Dallas to:

- a. Establish a Department of Molecular Biology and Oncology
- b. Establish a Department of Plastic Surgery.

In addition, authorization is requested to submit the proposals to the Texas Higher Education Coordinating Board for approval.

Upon approval by the Coordinating Board, the proposed reorganization of the Department of Biochemistry and the Department of Surgery as set forth in the Background Information will become effective September 1, 1996, and the next appropriate catalog published at the U. T. Southwestern Medical Center - Dallas will be amended to reflect this action.

BACKGROUND INFORMATION

Proposed is an administrative reorganization to create two new departments within the U. T. Southwestern Medical School - Dallas.

Over the last three decades, the Department of Biochemistry has grown to encompass a faculty of forty scientists who span a broad spectrum of basic biomedical science. In spite of an active search led by Nobel Laureate Al Gilman, M.D., the Chair of the Department of Biochemistry has been vacant for four years.

Meanwhile, the U. T. Southwestern Medical Center - Dallas has been the recipient of a \$7.5 million endowment gift to establish a Center for Basic Research in Cancer, and this gift is being matched with another \$7.5 million, creating a \$15 million endowed center. The search for a director of this center has been led by Mike Brown, M.D., one of U. T. Southwestern's first Nobel Laureates. Recently, Drs. Gilman and Brown, on behalf of their respective search committees, recommended that the molecular biology component of the Department of Biochemistry be separated from that department and combined with the resources of the Center for Basic Research in Cancer to create a new Department of Molecular Biology and Oncology. This proposal was reviewed and endorsed by the Dean's Advisory Council and by the Faculty Council as the most appropriate structure for management of financial and human resources.

The proposed new department will make it possible to recruit as its chair an internationally distinguished molecular biologist conducting basic research of direct relevance to cancer biology. It will also simplify the task of identifying a distinguished biochemist to chair the Department of Biochemistry.

Eight members of the existing Department of Biochemistry will constitute the faculty of the proposed new Department of Molecular Biology and Oncology. No new funds will be required since all support will be transferred from the Department of Biochemistry.

The Division of Plastic and Reconstructive Surgery has existed within the Department of Surgery at the U. T. Southwestern Medical School - Dallas for more than three decades. Over the last decade, the program has expanded and assumed a major role in providing reconstructive care to trauma victims and cancer patients at Parkland, Zale Lipshy, and Children's Hospitals. The program incorporates successful and highly competitive postgraduate training and conducts innovative clinical research. The Division of Plastic and Reconstructive Surgery has achieved sufficient national stature to warrant full departmental status.

Twelve faculty positions and corresponding operating funds will be transferred from the Department of Surgery to the new Department of Plastic Surgery. No additional funds will be required.

Copies of the proposals are on file in the U. T. System Office of Health Affairs.

2. U. T. Health Science Center - San Antonio (U. T. G.S.B.S. - San Antonio): Recommendation to Establish a Department of Molecular Biomedical Sciences and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Howe that authorization be granted to the U. T. G.S.B.S. - San Antonio at the U. T. Health Science Center - San Antonio to establish a Department of Molecular Biomedical Sciences and to submit the proposal to the Texas Higher Education Coordinating Board for approval.

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

BACKGROUND INFORMATION

The development of this new department by the U. T. Health Science Center - San Antonio is the logical consequence of the creation of the Institute of Biotechnology in July 1991. In October 1993, the U. T. Board of Regents and the Coordinating Board approved the establishment of a graduate program in Molecular Medicine at the Institute of Biotechnology. Six students were admitted into the program in Fall 1994; eleven were accepted in 1995; and it is anticipated that fifteen to eighteen students will be admitted for 1996.

The proposed Department of Molecular Biomedical Sciences is needed to effectively administer the growth of the Institute of Biotechnology and to promote the planning and implementation of departmental goals. It will provide an identity and an administrative organization for the faculty that will in turn help attract outstanding scholars. The new department will also formalize an academic focus for the faculty and provide students with an administrative and educational structure in which to develop their academic identities in the profession to which they aspire.

The Institute of Biotechnology has a total of \$13.2 million in committed federal and nonfederal grants for the next 3 to 5 years and currently receives an annual state appropriation totaling \$5.5 million. Therefore, it is anticipated that no additional state funds would be required for the creation of this new department.

A copy of the proposal is on file in the U. T. System Office of Health Affairs.

3. U. T. Health Science Center - San Antonio (U. T. Nursing School - San Antonio): Recommendation for Authorization for Course Offerings at Three Outreach Sites and to Submit the Proposals to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Howe that authorization be granted for the U. T. Nursing School - San Antonio at the U. T. Health Science Center - San Antonio to provide offerings as described below at three outreach sites:

- a. Extend the Master of Science in Nursing on the campus of U. T. Brownsville
- b. Offer the Master of Science in Nursing on the campus of Texas A&M International University in Laredo
- c. Make the post-Master of Science in Nursing aspects of the Doctor of Philosophy, with a focus in nursing, available on the campus of Texas A&M University - Corpus Christi.

Further, it is recommended that authorization be granted to submit the proposals to the Texas Higher Education Coordinating Board for approval.

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

This item requires the concurrence of the Academic Affairs Committee.

BACKGROUND INFORMATION

The proposed nursing offerings at the three South Texas outreach sites are a part of the U. T. Health Science Center - San Antonio's planned projects under the South Texas/Border Region Health Professional Education Initiative authorized and funded by the 74th Texas Legislature to be used by the institution to "expand graduate medical education, including family practice resident training programs, and other health professional education in the South Texas/Border Region."

The U. T. Nursing School - San Antonio (under the degree granting authority of the U. T. G.S.B.S. - San Antonio) has been providing courses leading to the Master of Science in Nursing (MSN), with a major in Medical Surgical Nursing, on the campus of U. T. Brownsville since 1990 as part of a five-year plan of program offerings to assist with the development of advanced practice nurses in the Lower Rio Grande Valley. To date there have been twenty Master of Science in Nursing graduates. The program was scheduled to conclude with the Summer of 1995. The present request is to extend the offerings for three years, beginning with Fall 1996, and to offer a major in Acute Nursing Care of the Adult for two complete cycles of the MSN courses. The courses would be provided on the campus of U. T. Brownsville through a combination of interactive television and courses taught on the campus. It is expected that approximately twenty students will enroll.

The U. T. Nursing School - San Antonio is also requesting approval to offer the Master of Science in Nursing, with a major in Acute Nursing Care of the Adult, on the host campus of Texas A&M International University in Laredo. There presently is no local program for the education of advanced practice nurses in the Laredo area. Texas A&M International University just recently initiated a Bachelor of Science in Nursing program. Approval of this request would allow for two complete cycles of the Master of Science in Nursing courses. The courses would be provided on the campus of Texas A&M International University through a combination of courses taught via interactive television and courses taught on site. It is expected that approximately twenty students will enroll.

In addition, the U. T. Nursing School - San Antonio (under the degree granting authority of the U. T. G.S.B.S. - San Antonio) is requesting approval to provide access to the post-Master aspects of the Doctor of Philosophy in Nursing on the host campus of Texas A&M University - Corpus Christi. Six courses would be taught via interactive television and on site in Corpus Christi. One additional course would require that students attend summer classes in San Antonio. This would be

a limited plan, Fall 1996 - Spring 1999 for the specific course offerings, with the remaining aspects of the program (dissertation, etc.) conducted through the U. T. Health Science Center - San Antonio, with responsibility continuing until each matriculating student has completed the requirements. It is expected that approximately thirteen students would be admitted, with enrollment limited to Fall 1996 and Fall 1997.

The proposed programs would assist in providing a developing base of advanced practice nurses in the three areas of South Texas. They would also provide a source of faculty for the Associate Degree in Nursing in Brownsville and the new Bachelor of Science in nursing program in Laredo. In addition, developmental opportunities for the faculties at U. T. Brownsville and Texas A&M International University would be provided as they plan for implementation of their own graduate nursing programs. In Corpus Christi, the proposed program will provide access to doctorally prepared faculty for the nursing education programs in the region. The proposed program will also increase the number of clinical nurse researchers to promote the development of nursing knowledge and enhance patient care in the region.

Costs for the program in Brownsville are projected at \$119,507 for FY 1996 and \$200,000 for FY 1997. The programs in Laredo are projected to cost \$109,100 for FY 1996 and \$241,138 for FY 1997. In Corpus Christi, the costs for the program are projected at \$142,563 for FY 1996 and \$400,000 for FY 1997. Funding would be provided through the 74th Texas Legislature appropriation to the U. T. Health Science Center - San Antonio for the South Texas/Border Region Health Professional Education Initiative. The funding to date is for two years. It is expected, however, that continuation funding will be provided at least through FY 1998 and FY 1999, since the award is to conduct academic programs which would take longer than two years to make a reasonable regional impact.

Copies of the three proposals are on file in the U. T. System Office of Health Affairs.

**Facilities, Planning & Construction
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE
Committee Chairman Temple

Date: February 8, 1996
Time: Following the meeting of the Health Affairs
Committee
Place: Room 310, Geological Sciences Building
U. T. El Paso

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5. U. T. Tyler: Authorization to Purchase 1.7 Acres of Land and Improvements Located at 3410 Varsity Drive, Tyler, Smith County, Texas (University Place Retail Center); Submission of the Purchase to the Coordinating Board; Authorization to Complete the Shelled Space and Renovate a Portion of the Project; Appropriation Therefor; Authorization to Execute Documents; and Approval for Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity	9

1. U. T. Arlington: Request for Authorization to Amend the U. T. System FY 1996-2001 Capital Improvement Program to Delete Bauder College Renovation and Environmental Center Renovation and to Add Student Services/Registration Building.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that the U. T. Board of Regents:

- a. Amend the U. T. System FY 1996-2001 Capital Improvement Program (CIP) to delete the following U. T. Arlington projects: Bauder College Renovation on CIP Page D.7 and Environmental Center Renovation on CIP Page D.9
- b. Amend the CIP to add a U. T. Arlington Student Services/Registration Building at an estimated total project cost of \$14,775,000 to be funded by \$2,857,000 from Permanent University Fund Bonds - Special Program reallocated from the two deleted projects and \$11,918,000 from General Use Fee - Special Program as shown on Page FPCC - 3.

BACKGROUND INFORMATION

Based on an architectural/engineering study, U. T. Arlington has determined that additional investment of funds in the Bauder College Building, as well as the facility initially identified as the Environmental Center, cannot be justified and the institution proposes to demolish both buildings. Cost of demolition for both facilities is expected to be less than \$150,000 and will be funded from Unexpended Plant Funds. The \$2,857,000 in Permanent University Fund Bonds - Special Program, previously allocated to these projects, will be reallocated to the new Student Services/Registration Building.

The new Student Services/Registration Building will provide approximately 100,000 gross square feet with a preliminary project cost of \$14,775,000. Source of funds for this project will consist of \$2,857,000 from Permanent University Fund Bonds - Special Program and \$11,918,000 from the General Use Fee Special Funding Program. The proposed building will provide facilities for outreach, student recruitment, admissions, registration, and a variety of other student services.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			DATES
Name of Institution	University of Texas at Arlington	CIP Approval	2/96
PROJECT	Student Services/Registration Building	Architect-Engineer Selection	10/96
OFPC Project Number		Start Construction	6/98
Architect		Anticipated Completion	1/00

Source of Funds	Total Project Cost	Prior Years	Projected Expenditures					
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
			PUF BOND-Special Program	\$ 2,857,000	\$0	\$0	\$269,000	\$812,000
Rev.Bond-Special Program	11,918,000	0	0	0	0	6,672,000	5,246,000	0
	\$14,775,000	\$0	\$0	\$269,000	\$812,000	\$8,448,000	\$5,246,000	\$0

DESCRIPTION

Construction of a 100,000 GSF facility which will allow student service functions to be housed in one building. This will include registration and admissions, financial aid, counseling, testing and career placement, busar operations, multicultural services and services for students with disabilities.

2. U. T. Arlington: Request to Appropriate \$3,000,000 from Revenue Financing System Bond Proceeds for the Campus Information Technology Upgrade Project and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that the U. T. Board of Regents appropriate \$3,000,000 from Revenue Financing System Bond Proceeds for the Campus Information Technology Upgrade project at U. T. Arlington.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Witt that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, approved by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page FPCC - 6, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any related project costs paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. 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. Board of Regents of tax-exempt Parity Debt in the amount of \$3,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

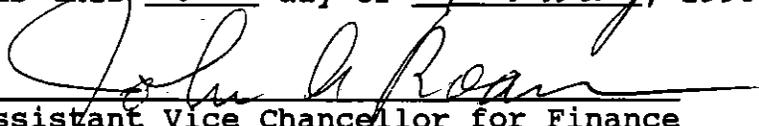
BACKGROUND INFORMATION

The 74th Texas Legislature authorized an increase in the maximum general use fee to an amount not to exceed the level of in-state undergraduate tuition. This initiative was in response to the need to provide capital funding for Permanent University Fund (PUF) institutions at a level at least equivalent to HEAF institutions. For each of the Fiscal Years 1996 and 1997, the general use fee per semester credit hour will be increased at U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler. With the exception of U. T. Austin, \$1.55 of the increase may be used directly for debt service for bonds to be issued. For U. T. Arlington, the increase of \$1.55 per semester credit hour will provide debt service for bond proceeds in an amount of approximately \$8,300,000 for each of the Fiscal Years 1996 and 1997. In the 1996-2001 Capital Improvement Program, U. T. Arlington identified \$5,000,000 of projects, which includes this project, to receive bond proceeds under this program. With the issuance of this debt under the program, the debt service coverage forecast is 1.26 times (see Page FPCC - 7).

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

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

EXECUTED this 8th day of February, 1996


Assistant Vice Chancellor for Finance

**The University of Texas at Arlington
Campus Information and Technology Upgrade**

Project Level - General Use Fee Budget

	FY 95	FY 96
Income	6,991	10,653
Transfers other than debt service	(2,941)	(6,618)
Debt Service	4,050	4,035
Debt Service Coverage Before Transfers	(3,210)	(4,040)
Debt Service Coverage After Transfers	2.18	2.64
	1.26	1.00

Campus Level: U.T. Arlington (\$ in millions)

	Actual			Forecast				
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Beg. Fund Balances	24.7	22.9	25.0	23.4	23.0	23.0	22.9	22.7
Total Current Revenues	134.3	143.3	143.6	159.8	166.4	177.3	185.2	194.1
Total Current Expenditures	(126.1)	(132.9)	(137.6)	(149.7)	(155.9)	(166.1)	(173.6)	(181.9)
Net Revenues	8.2	10.4	6.0	10.1	10.5	11.2	11.6	12.2
Debt Service	(5.2)	(5.0)	(5.3)	(7.0)	(7.9)	(8.6)	(9.1)	(9.7)
Other Man. Transfers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Mand. Transfers	(5.2)	(5.0)	(5.3)	(7.0)	(7.9)	(8.6)	(9.1)	(9.7)
Non-Mand. Transfers	(4.6)	(2.6)	(2.3)	(2.4)	(2.4)	(2.5)	(2.5)	(2.6)
Adjustments	(0.2)	(0.7)	0.0	(1.1)	(0.2)	(0.2)	(0.2)	(0.1)
Net Inc./ (Dec.) for Year	(1.8)	2.1	(1.6)	(0.4)	0.0	(0.1)	(0.2)	(0.2)
End. Fund Balances	22.9	25.0	23.4	23.0	23.0	22.9	22.7	22.5
Debt Service Coverage	1.58	2.08	1.13	1.44	1.33	1.30	1.27	1.26

U.T. System (\$ in millions)

	Actual			Forecast				
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Available Revenues	2,965.2	3,226.4	3,439.7	3,553.0	3,584.3	3,655.5	3,702.8	3,783.7
Operating Expenses	(2,868.1)	(3,033.6)	(3,239.9)	(3,419.5)	(3,437.2)	(3,482.4)	(3,533.1)	(3,594.2)
Net Available for Debt Service	97.1	192.8	199.8	133.5	147.1	173.1	169.7	189.5
Debt Service	(42.0)	(43.3)	(48.9)	(76.0)	(91.0)	(101.0)	(106.9)	(113.1)
Debt Service Coverage	2.31	4.45	4.09	1.76	1.62	1.71	1.59	1.68

FPCC - 7

3. U. T. Austin: Formal Presentation of Campus Master Plan and Request for Concurrence in Principle.--

In October 1994, the U. T. Board of Regents approved the appointment of Cesar Pelli & Associates, Inc., New Haven, Connecticut, to prepare a Campus Master Plan for U. T. Austin. The work of the Pelli firm is nearly complete. The multivolume planning report now in draft form will be reviewed with the Facilities Planning and Construction Committee at its January 22, 1996 briefing.

At the February 1996 meeting, President Berdahl, assisted by Dr. Austin Gleeson, chair of the Campus Master Plan Committee and representatives of the Pelli firm, will formally present to the U. T. Board of Regents the results of that planning effort including a summary of the multivolume report. The final master plan will be maintained on the campus and will be available to the campus and subsequent project architects to serve as a guide. At the Board meeting, President Berdahl expects to recommend that the U. T. Board of Regents concur with the basic principles of the plan developed by the Pelli firm. The content and form of that recommendation will be forwarded to the Board in advance of the February meeting.

4. U. T. Austin: Consideration of Alternatives for the Renovation and/or Expansion of Memorial Stadium and Related Athletic Facilities.--

The several alternatives related to the renovation and/or expansion of Memorial Stadium and other athletic facilities at U. T. Austin are in the process of being refined and will be the subject of a briefing session for the Facilities Planning and Construction Committee on January 22, 1996. Additional information will be distributed to the U. T. Board of Regents in advance of the meeting.

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

SUPPLEMENTAL MATERIAL

FEBRUARY 8, 1996

3. U. T. Austin: Formal Presentation of Campus Master Plan and Request for Concurrence in Principle.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Berdahl that the U. T. Board of Regents:

- a. Formally accept the Campus Master Plan for U. T. Austin which has been prepared by the firm of Cesar Pelli & Associates, Inc., New Haven, Connecticut, working in conjunction with a committee of faculty, students, staff, and administrators to serve as a guide and framework for future development of the campus. The plan incorporates many drawings, both historical and contemporary, and will be presented in a three volume planning series: Volume 1, *The Campus Master Plan*; Volume 2, *The Architectural Guidelines*; and Volume 3, *The Strategic Use of the Plan*.

Volume 1, *The Campus Master Plan*, provides an overview of the plan including recommendations for creating a pedestrian central campus, actions that will return the campus to the Paul Cret Master Plan ideals, establish a community of open spaces, adding on-campus student housing and associated student activity centers, and articulating approximately 4.8 million square feet of new building in-fill opportunities.

Volume 2, *The Architectural Guidelines*, will serve the needs of future project architects. It specifically describes architectural practices to guide future major building and landscape projects and details the opportunities for new building in-fill on the campus.

Volume 3, *The Strategic Use of the Plan*, proposes for future consideration an implementation schedule for some projected activities and procedures for the management of the plan such as architect selection and future studies that may be required.

- b. Concur in principle with the seven fundamental goals of the plan which were derived from ten issues presented in the Request for Qualifications (RFQ) soliciting a firm to prepare the master plan. These goals are enumerated below

and will be reviewed by President Berdahl in his formal presentation to the Board:

- To return the core campus to the pedestrian
- To use the rules of the architectural language found in Paul Cret's original plan and buildings, for the design of new campus buildings
- To establish a community of landscaped spaces, which together with buildings will extend and reknit the campus
- To substantially increase on-campus housing to build and reinforce a sense of academic community
- To establish new centers of student activity to further establish a full and active life on campus
- To concentrate future construction on the core campus rather than at its perimeter
- To strengthen the identity of the campus through orientation and wayfinding programs.

BACKGROUND INFORMATION

In October 1994, the U. T. Board of Regents appointed Cesar Pelli & Associates, Inc., New Haven, Connecticut, to prepare a Campus Master Plan for U. T. Austin. The firm and a committee of faculty, students, staff, and administrators have worked for the past 18 months with all the relevant campus and community groups to prepare the plan. The planning guidelines for this study were that the campus would continue to serve a population and program requirement that is similar to current demands and that there were several aspects of the campus that were very successful and should be emphasized, in particular the human scale aesthetic that characterized the original forty acres that was established by Paul Cret and Cass Gilbert earlier in this century.

Draft copies of Volume 1 and Volume 2 were provided to Board members who were available for the Facilities Planning and Construction Committee briefing of the master plan held on January 22, 1996. Final versions of all three volumes will be available to all members when they are completed. Specific recommendations for plan implementation and management contained in the final plan will be further reviewed and refined by U. T. Austin and U. T. System administration staffs. Any changes to established Board rules, policies, or operating procedures will be addressed through existing approval processes.

The final master plan will be maintained on campus and will be available to the U. T. Board of Regents, the campus, and subsequent project architects as a guide for future campus development.

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

SUPPLEMENTAL MATERIAL

FEBRUARY 8, 1996

4. U. T. Austin: Consideration of Alternatives for the Renovation and/or Expansion of Memorial Stadium and Related Athletic Facilities.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Berdahl that the U. T. Board of Regents amend the U. T. System FY 1996-2001 Capital Improvement Program for projects at U. T. Austin as follows:

- a. Replace the project titled Memorial Stadium Renovations with a project titled Memorial Stadium - Replacement Artificial Turf consisting of the removal of the existing artificial turf and construction of a natural grass playing field at an estimated preliminary cost of \$1,250,000 to be funded from Auxiliary Enterprise Balances. The turf replacement project has already been authorized by the U. T. Board of Regents via Executive Committee Letter and approved by the Texas Higher Education Coordinating Board. This action will change the Capital Improvement Program to accurately represent project status.
- b. Add a project for the renovation of the West side of Memorial Stadium and construction of sky boxes at an estimated preliminary cost of \$14,000,000 to be funded from Revenue Financing System Bond Proceeds
- c. Add a project for the installation of an artificial turf practice field, using artificial turf removed from Memorial Stadium, and lighting for both the grass and artificial turf practice fields and women's soccer field at an estimated preliminary project cost of \$1,200,000 to be funded by Gifts and Grants
- d. Add a project for the renovation and expansion of the Neuhaus/Royal Athletic Center at an estimated preliminary cost of \$8,000,000 to be funded by Gifts and Grants
- e. Add a project for the construction of a combined track/soccer stadium to be constructed on top of a parking garage with a capacity of up to 1,000 vehicles at an estimated preliminary cost of

\$12,400,000 for both the garage and stadium to be funded by \$5,400,000 from Gifts and Grants and \$7,000,000 from Revenue Financing System Bond Proceeds

- f. Add a project to renovate the East side of Memorial Stadium, construct an upper deck of approximately 6,000 seats, a press box, and sky boxes, as well as renovate the West side press box into sky boxes at an estimated preliminary cost of \$32,000,000 to be funded from Revenue Financing System Bond Proceeds
- g. Add a project to lower the existing football field and add approximately 1,570 seats at a preliminary estimated cost of \$2,500,000 to be funded by \$2,000,000 of Revenue Financing System Bond Proceeds and \$500,000 from Auxiliary Enterprise Balances.

BACKGROUND INFORMATION

In September 1995, a decision was made by the administration to develop a comprehensive yet flexible master plan for Memorial Stadium and the associated facilities that support football and the other sports and activities that use the Stadium. This decision was based on the fact that Memorial Stadium, which was constructed in 1924, was in need of substantial renovation and modification to support the level of athletic activity in place and planned at U. T. Austin.

Heery International, Inc., Atlanta, Georgia, was selected to prepare a comprehensive master plan for Memorial Stadium and was specifically asked to address the following areas:

- 1. Existing stadium - rest room upgrades, ADA requirements, and structural repairs
- 2. Expansion of Neuhaus/Royal Athletic Center, which supports the operation of the football team, strength training, and sports medicine needs for all men's and women's athletics
- 3. Possible lowering of the field and replacement of turf
- 4. Extension of the seating toward the field
- 5. Relocation of the track to another site
- 6. Construction of a multistory building (for improved athletic offices, academic facilities, and historic collections) that incorporates end zone seating in the North end
- 7. Construction of sky boxes and a new press box
- 8. Future expansion of seating

9. Installation of state-of-the-art scoreboard and graphics
10. Upgrade of all utilities and infrastructure.

These projects are presented to the U. T. Board of Regents in advance of the conclusion of the Memorial Stadium Master Plan so that the schedule for completion of near term and intermediate projects emerging from this planning process can be advanced in concert with the Campus Master Plan, also on this agenda for consideration. The U. T. Board of Regents will be presented with the completed Memorial Stadium Master Plan, which will describe all the proposed projects and scheduling, in Spring 1996. Presentation of the projects described above at this time will permit substantial renovation activity to be accomplished prior to the 1997 and 1998 football seasons. It will also allow the institution to begin fund raising efforts in support of these various projects.

The development of a long-range master plan for any facility is difficult at best, and with the rapidly changing "marketplace" oriented environment of college athletics, the task is even more challenging. The core master plan has been developed with a long-range vision, while maintaining the flexibility to make strategic decisions years into the plan.

The plan also allows for a logical sequencing of projects. This sequencing will (1) address the most critical needs, (2) generate the revenue to allow financing of many of the improvements, and (3) be compatible with the U. T. Austin Campus Master Plan.

The proposed projects will be funded from Auxiliary Enterprise Balances accumulated from athletic department revenues, proceeds from fund raising initiatives, and revenue bonds. Revenue bond debt service will be paid from a variety of sources generated in Memorial Stadium, including ticket revenue from expanded seating, revenue from sky boxes, and a surcharge on athletic tickets. In addition, expanded revenues from other athletic department sports activities and parking garage revenues will be used. A detailed analysis of the financing of each Revenue Bond Funded project will be presented to the U. T. Board of Regents upon submission of preliminary plans.

Descriptions of near and intermediate-term projects and funding sources covered by this item are shown on the attached Pages FPCC - 8f through 8l. Inclusion of these projects in the Capital Improvement Program will permit the appointment of appropriate architects and engineers and the expenditure of up to 3% of the total project cost advanced from Auxiliary Enterprise Balances for preliminary planning. Individual projects will be presented to the U. T. Board of Regents at a future date based on their appropriate sequencing, achievement of fund raising requirements, and completion of preliminary plans.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval	8/95
PROJECT	Memorial Stadium - Replacement Artificial Turf	Architect-Engineer Selection	2/96
OFPC Project Number		Start Construction	3/96
Architect		Anticipated Completion	7/96

Source of Funds	Total Project Cost	Prior Years	Projected Expenditures					FY2001
			FY1996	FY1997	FY1998	FY1999	FY2000	
			FY1996	FY1997	FY1998	FY1999	FY2000	
Aux Ent Balances	1,250,000	0	1,250,000	0	0	0	0	0
	\$1,250,000	\$0	\$1,250,000	\$0	\$0	\$0	\$0	\$0

DESCRIPTION

This project consists of replacement of the artificial turf with a natural grass field.

The University of Texas System
CAPITAL IMPROVEMENT PROGRAM
 1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval	2/96
PROJECT	Renovation/Sky Boxes - West Side	Architect-Engineer Selection	3/96
OFPC Project Number		Start Construction	1/97
Architect		Anticipated Completion	8/97

<u>Source of Funds</u>	<u>Total Project Cost</u>	<u>Prior Years</u>	<u>Projected Expenditures</u>					
			<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>
			Rev. Bond Proc.	14,000,000	0	800,000	12,200,000	1,000,000
	\$14,000,000	\$0	\$800,000	\$12,200,000	\$1,000,000	\$0	\$0	\$0

DESCRIPTION

This project consists of renovation of the West side of Memorial Stadium; structural maintenance, restroom renovations, ADA compliance as well as construction of sky boxes on both sides of the press room under the West upper deck. Revenue bond debt service to be paid from Men's Athletic Department revenue.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY -- MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval	2/96
PROJECT	Artificial Turf Practice Field	Architect-Engineer Selection	3/96
OFPC Project Number		Start Construction	3/96
Architect		Anticipated Completion	9/96

<u>Source of Funds</u>	Total	Prior Years	Projected Expenditures					FY2000	FY2001
	Project		FY1996	FY1997	FY1998	FY1999			
	Cost								
Gifts and Grants	1,200,000	0	1,200,000	0	0	0	0	0	
	\$1,200,000	\$0	\$1,200,000	\$0	\$0	\$0	\$0	\$0	

DESCRIPTION

Construction of an artificial turf practice field for use by the football team as well as Longhorn Band rehearsal and other athletic activities. This project will also include lighting for both the grass and artificial turf practice fields as well as the women's soccer field.

The University of Texas System
CAPITAL IMPROVEMENT PROGRAM
1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

Name of Institution	University of Texas at Austin	CIP Approval	2/96
PROJECT	Expansion of Neuhaus/Royal	Architect-Engineer Selection	3/96
OFPC Project Number		Start Construction	1/97
Architect		Anticipated Completion	7/98

Source of Funds	Total Project Cost	Prior Years	Projected Expenditures					
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
Gifts and Grants	8,000,000	0	200,000	3,200,000	4,600,000	0	0	0
	\$8,000,000	\$0	\$200,000	\$3,200,000	\$4,600,000	\$0	\$0	\$0

DESCRIPTION

A 42,000 sq. ft. expansion of this facility to provide additional showers, equipment, meeting rooms, laundry, locker rooms, offices for coaches and players in football as well as physical rehabilitation, sports medicine, and strength training facilities for all men's and women's intercollegiate athletic sports.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval	2/96
PROJECT	Track/Soccer Stadium & Parking Garage	Architect-Engineer Selection	4/96
OFPC Project Number		Start Construction	6/97
Architect		Anticipated Completion	10/98

<u>Source of Funds</u>	<u>Total Project Cost</u>	<u>Prior Years</u>	<u>Projected Expenditures</u>					
			<u>FY1996</u>	<u>FY1997</u>	<u>FY1998</u>	<u>FY1999</u>	<u>FY2000</u>	<u>FY2001</u>
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
Gifts and Grants	5,400,000	0	0	366,000	2,474,000	2,560,000	0	0
Rev. Bond Proc.	7,000,000	0	0	474,000	6,526,000	0	0	0
	\$12,400,000	\$0	\$0	\$840,000	\$9,000,000	\$2,560,000	\$0	\$0

DESCRIPTION

Construction of a combined soccer/track stadium on top of a parking garage with a capacity of up to 1,000 vehicles. Revenue bond debt service will be paid from parking structure use fees.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

		<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval 2/96
PROJECT	East Side Renovation/Upper Deck	Architect-Engineer Selection 7/96
OFPC Project Number		Start Construction 7/97
Architect		Anticipated Completion 8/98

Source of Funds	Total Project Cost	Prior Years	Projected Expenditures					
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
Rev. Bond Proc.	32,000,000	0	600,000	9,800,000	18,000,000	3,600,000	0	0
	\$32,000,000	\$0	\$600,000	\$9,800,000	\$18,000,000	\$3,600,000	\$0	\$0

DESCRIPTION

This project will consist of both renovations to the East side of Memorial Stadium and construction of an upper deck with a press box and sky boxes on the East side of Memorial Stadium and renovation of the existing press box on the West side into sky boxes. Revenue bond debt service will be paid with Men's Athletic Department revenue.

The University of Texas System
CAPITAL IMPROVEMENT PROGRAM
 1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Austin	CIP Approval	2/96
PROJECT	Lower Football Field/Addition of Seating	Architect-Engineer Selection	1/97
OFPC Project Number		Start Construction	11/97
Architect		Anticipated Completion	8/98

Source of Funds	Total Project Cost	Prior Years	Projected Expenditures					
			FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
			Aux Ent Balances	500,000	0	0	125,000	375,000
Rev. Bond Proc.	2,000,000	0	0	0	2,000,000	0	0	0
	\$2,500,000	\$0	\$0	\$125,000	\$2,375,000	\$0	\$0	\$0

DESCRIPTION

Lowering of the existing field and removal of the track to provide approximately 1,500 additional seats. Revenue bond debt service will be paid with Men's Athletic Department revenue.

5. U. T. Tyler: Authorization to Purchase 1.7 Acres of Land and Improvements Located at 3410 Varsity Drive, Tyler, Smith County, Texas (University Place Retail Center); Submission of the Purchase to the Coordinating Board; Authorization to Complete the Shelled Space and Renovate a Portion of the Project; Appropriation Therefor; Authorization to Execute Documents; and Approval for Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Hamm that the U. T. Board of Regents:

- a. Authorize U. T. Tyler to purchase 1.7 acres of land and improvements located at 3410 Varsity Drive, Tyler, Smith County, Texas, known as the University Place Retail Center, for \$300,000 plus related closing costs
- b. Authorize U. T. Tyler to submit the transaction to the Texas Higher Education Coordinating Board for approval
- c. Authorize U. T. Tyler to complete the shelled space and renovate approximately 7,000 assignable square feet of the project
- d. Appropriate \$300,000 from General Use Fee Balances and \$580,000 from Revenue Financing System Bond Proceeds to fund the total project cost of \$880,000
- e. Authorize the Executive Vice Chancellor for Business Affairs, or his designee, to execute all documents pertaining to the transaction following approval by the Office of General Counsel
- f. Authorize an addition to the U. T. System FY 1996-2001 Capital Improvement Program (CIP) for this project as shown on Page FPCC - 12.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Hamm that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of

Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page FPCC - 13, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost including any project costs paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. U. T. Tyler, 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. Board of Regents of tax-exempt Parity Debt in the amount of \$580,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The 74th Texas Legislature authorized an increase in the maximum general use fee to an amount not to exceed the level of in-state undergraduate tuition. This initiative was in response to the need to provide capital funding for Permanent University Fund (PUF) institutions at a level at least equivalent to HEAF institutions. For each of the Fiscal Years 1996 and 1997, the general use fee per semester credit hour will be increased at U. T. Arlington, U. T. Austin, U. T. Dallas, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler. With the exception of U. T. Austin, \$1.55 of the increase may be used directly for debt service for bonds to be issued. For U. T. Tyler, the increase of \$1.55 per semester credit hour will provide debt service for bond proceeds in an amount of approximately \$1,240,000 for each of the Fiscal Years 1996 and 1997. With the issuance of this debt under the program, the debt service coverage forecast is 1.17 times (see Page FPCC - 14).

The University of Texas at Tyler Educational Foundation, Inc. purchased the University Place Retail Center and executed a Master Lease agreement with the U. T. Board of Regents including an option for the U. T. Board of Regents to purchase the property at any time during the first 36 months of the lease for the full \$300,000 purchase price plus closing costs.

Immediate action to acquire this property will result in optimal benefit to U. T. Tyler. The property includes 74,008 square feet of land, a building containing 17,500 assignable square feet, of which approximately one-half is shelled space without flooring, and a paved parking area which will accommodate at least 91 vehicles. Funds for acquisition are from General Use Fee balances.

U. T. Tyler proposes to complete the shelled space and renovate approximately 7,000 assignable square feet of the remaining space. Cost for this phase of the project is estimated at \$580,000. Renovated and completed space will be used to support the engineering development program authorized by special item legislation. Funding for this project will be provided from Revenue Financing System Bond Proceeds.

Approval of this item will amend the U. T. System FY 1996-2001 Capital Improvement Program to include a project for purchase and renovation of University Place Retail Center as shown on Page FPCC - 12.

**The University of Texas System
CAPITAL IMPROVEMENT PROGRAM**

1996-2001 Update

INDIVIDUAL PROJECT SUMMARY – MAJOR CONSTRUCTION PROJECTS

			<u>DATES</u>
Name of Institution	University of Texas at Tyler	CIP Approval	2/96
PROJECT	Purchase & Renovation of Univ Place Retail Ctr	Architect-Engineer Selection	6/96
OFPC Project Number		Start Construction	1/97
Architect		Anticipated Completion	8/97

Source of Funds	Total	Prior Years	Projected Expenditures					
	Project Cost		FY1996	FY1997	FY1998	FY1999	FY2000	FY2001
	Rev. Bond-Special Program		580,000	0	50,000	530,000	0	0
Gen. Fee Balances	300,000	0	300,000	0	0	0	0	0
	\$880,000	\$0	\$350,000	\$530,000	\$0	\$0	\$0	\$0

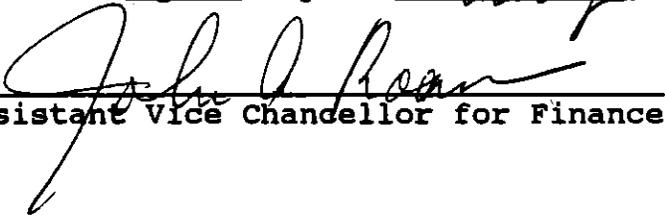
DESCRIPTION

Purchase of the University Place Retail Center and completion of shelled space. The Retail Center purchase consists of 74,008 sq. ft. of land, a 17,500 GSF building and a paved parking area which will accommodate approximately 91 vehicles. U. T. Tyler plans to finish out the shelled space, approximately 8,750 sq. ft. for support of the developing engineering program.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

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

EXECUTED this 8th day of February, 1996


Assistant Vice Chancellor for Finance

The University of Texas at Tyler
University Place Retail Center

Project Level - General Use Fee Budget (in thousands)

	FY 95	FY 96
Income	1,008	1,488
Transfers other than debt service	(60)	(316)
	948	1,172
Debt Service	(133)	(257)
Debt Service Coverage Before Transfers	7.58	5.79
Debt Service Coverage After Transfers	7.12	4.56

Campus Level: U.T. Tyler (\$ in millions)

	Actual			Forecast				
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Beg. Fund Balances	1.3	0.5	(0.0)	(0.1)	(0.0)	0.2	0.4	0.6
Total Current Revenues	16.3	19.1	19.5	22.1	21.6	22.1	22.7	23.0
Total Current Expenditures	<u>(16.3)</u>	<u>(18.8)</u>	<u>(19.3)</u>	<u>(21.3)</u>	<u>(20.4)</u>	<u>(20.8)</u>	<u>(21.3)</u>	<u>(21.6)</u>
Net Revenues	0.0	0.3	0.2	0.8	1.2	1.3	1.4	1.4
Debt Service	(0.1)	(0.2)	(0.3)	(0.5)	(1.0)	(1.1)	(1.2)	(1.2)
Other Man. Transfers	<u>0.0</u>							
Total Mand. Transfers	(0.1)	(0.2)	(0.3)	(0.5)	(1.0)	(1.1)	(1.2)	(1.2)
Non-Mand. Transfers	(0.6)	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0
Adjustments	<u>(0.1)</u>	<u>(0.1)</u>	<u>0.0</u>	<u>(0.2)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net Inc./ (Dec.) for Year	(0.8)	(0.5)	(0.1)	0.1	0.2	0.2	0.2	0.2
End. Fund Balances	0.5	(0.0)	(0.1)	(0.0)	0.2	0.4	0.6	0.8
Debt Service Coverage	0.00	1.50	0.67	1.60	1.20	1.18	1.17	1.17

U.T. System (\$ in millions)

	Actual			Forecast				
	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99	FY 00
Available Revenues	2,965.2	3,226.4	3,439.7	3,553.0	3,584.3	3,655.5	3,702.8	3,783.7
Operating Expenses	<u>(2,868.1)</u>	<u>(3,033.6)</u>	<u>(3,239.9)</u>	<u>(3,419.5)</u>	<u>(3,437.2)</u>	<u>(3,482.4)</u>	<u>(3,533.1)</u>	<u>(3,594.2)</u>
Net Available for Debt Service	97.1	192.8	199.8	133.5	147.1	173.1	169.7	189.5
Debt Service	(42.0)	(43.3)	(48.9)	(76.0)	(91.0)	(101.0)	(106.9)	(113.1)
Debt Service Coverage	2.31	4.45	4.09	1.76	1.62	1.71	1.59	1.68

Asset Management Committee

ASSET MANAGEMENT COMMITTEE
Committee Chairman Hicks

Date: February 8, 1996
Time: Following the meeting of the Facilities Planning
and Construction Committee
Place: Room 310, Geological Sciences Building
U. T. El Paso

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I. PERMANENT UNIVERSITY FUND

Summary Investment Report at November 30, 1995.--

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

	<u>FY94-95</u>	<u>FY95-96</u>
	<u>Full Year</u>	<u>1st Qtr</u>
Beginning Market Value	4,428.0	4,958.5
PUF Lands Receipts ⁽²⁾	57.1	16.4
Investment Income	249.5	64.6
Investment Income Distributed	(249.5)	(64.6)
Realized Gains (Losses)	105.5	46.3
Change in Unrealized Gains (Losses)	<u>367.9</u>	<u>132.5</u>
Ending Market Value	4,958.5	5,153.7
 AUF Income		
Investment Income	249.5	64.6
Surface Income	3.6	.3
Other Income	<u>0.3</u>	<u>.1</u>
Total	253.4	65.0

⁽¹⁾ Excludes PUF Lands mineral and surface interests with estimated values of \$328.6 million and \$157.8 million, respectively.

⁽²⁾ As of November 30, 1995: 801,113 acres under lease, 522,661 producing acres, 2,656 active leases and 2,062 producing leases.

II. LONG TERM FUND

Summary Investment Report at November 30, 1995.--

LONG TERM FUND
SUMMARY REPORT
(\$ millions)

	<u>FY94-95</u> <u>Full Year</u>	<u>FY95-96</u> <u>1st Qtr</u>
Beginning Net Assets	1,226.3	1,558.8
Contributions	202.3	19.6
Investment Return	201.5	69.7
Expenses	(2.8)	(0.7)
Distributions	<u>(68.5)</u>	<u>(18.9)</u>
Ending Net Assets	1,558.8	1,628.5
Net Asset Value per Unit	3.661	3.778
No. of Units (End of Period)	425,751,253	431,062,475
Distribution Rate per Unit	0.175	0.04375

III. GIFTS, TRUSTS AND ESTATES

1. U. T. System: Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for September 1, 1995 Through November 30, 1995.--

ACCEPTANCE OF GIFTS HELD BY BOARD

# ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES					TRANSFERS	MATCHING FUNDS	TOTAL VALUE
		CASH	SECURITIES	REAL ESTATE	PLEDGES	OTHER			
35	U. T. Austin	\$1,156,327	\$ 29,558	---	\$850,715	---	\$ 25,000	\$152,634 *	\$2,061,600
2	U. T. Dallas	550,000	---	---	50,000	---	---	---	600,000
2	U. T. El Paso	115,328	---	---	---	---	---	---	115,328
1	U. T. Permian Basin	10,000	---	---	---	---	---	---	10,000
4	U. T. Tyler	47,500	26,046	---	12,500	---	---	---	86,046
9	U. T. SWMC-Dallas	435,250	314,062	---	---	---	839	650,000 *	750,151
8	U. T. M.B.-Galveston	2,002,000	---	---	8,000	---	1,140,000	---	3,150,000
4	UTHSC-Houston	193,856	---	---	70,243	---	21,012	---	285,111
1	UTHSC-San Antonio	---	---	---	---	---	---	---	---
66	TOTAL	\$4,510,261	\$369,666	---	\$991,458	---	\$1,186,851	\$802,634 *	\$7,058,236

* Matching funds already held by Board not included in total.

NOTE: Compiled by Office of Development and External Relations

Report includes items through October 5, 1995, that were previously reported to Board on November 9, 1995.

CLASSIFICATION OF GIFTS AND OTHER ACTIONS

<u>COMPONENT INSTITUTION</u>	<u>ENDOWMENTS</u>	<u>CHARITABLE REMAINDER TRUSTS</u>	<u>POOLED INCOME FUND</u>	<u>REMAINDER INTERESTS</u>	<u>HELD IN TRUST BY OTHERS</u>	<u>CURRENT PURPOSE</u>	<u>OTHER</u>
U. T. Austin	33	---	---	---	4	---	---
U. T. Dallas	2	---	---	---	---	---	---
U. T. El Paso	2	---	---	---	---	---	---
U. T. Permian Basin	1	---	---	---	---	---	---
U. T. Tyler	4	---	---	---	---	---	---
U. T. SWMC-Dallas	8	---	---	---	1	---	---
U. T. M.B.-Galveston	8	---	---	---	---	---	---
UTHSC-Houston	4	---	---	---	---	---	---
UTHSC-San Antonio	<u>1</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
TOTAL	63	---	---	---	5	---	---

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PURPOSES OF GIFTS HELD BY BOARD AND OTHERS

ENDOWMENT

<u>COMPONENT INSTITUTION</u>	<u>DIST. CHAIR</u>	<u>CHAIR</u>	<u>DIST. PROF'SHIP</u>	<u>PROF'SHIP</u>	<u>FACULTY FELL'SHIP</u>	<u>GRADUATE FELL'SHIP</u>	<u>SCHOLARSHIP</u>	<u>OTHER</u>	<u>CURRENT PURPOSE</u>	<u>OTHER PURPOSE</u>
U. T. Austin	---	---	---	---	1	1	17	1	---	2
U. T. Dallas	---	---	---	1	---	---	1	---	---	---
U. T. El Paso	---	---	---	1	---	---	1	---	---	---
U. T. Permian Basin	---	---	---	---	---	---	1	---	---	---
U. T. Tyler	---	---	---	---	---	---	4	---	---	---
U. T. SWMC-Dallas	1	---	1	4	---	---	---	---	---	---
U. T. M.B.-Galveston	5	---	1	---	---	---	---	1	---	---
UTHSC-Houston	---	---	1	---	---	---	2	---	---	---
UTHSC-San Antonio	---	---	1	---	---	---	---	---	---	---
TOTAL	6	---	4	6	1	1	26	2	---	2

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Total purposes may not equal total number of items for each component, due to the fact that some items pertain to multiple purposes.

OTHER ADMINISTRATIVE ACTIONS

<u>COMPONENT INSTITUTION</u>	<u>ESTABLISH ENDOWMENT</u>	<u>REDESIGNATE ENDOWMENT LEVEL</u>	<u>OTHER REDESIGNATION</u>	<u>DISSOLVE ENDOWMENT</u>	<u>APPROVE/ALLOCATE MATCHING</u>	<u>ACCEPT TRUSTEESHIP</u>	<u>OTHER</u>
U. T. Austin	19	---	13	---	1	---	1
U. T. Dallas	2	---	---	---	---	---	---
U. T. El Paso	2	---	---	---	---	---	---
U. T. Permian Basin	1	---	---	---	---	---	---
U. T. Tyler	4	---	---	---	---	---	---
U. T. SWMC-Dallas	6	---	---	3	5	---	---
U. T. M.B.-Galveston	2	5	1	---	2	---	---
UTHSC-Houston	3	1	---	---	1	---	---
UTHSC-San Antonio	---	1	---	---	---	---	---
TOTAL	39	7	14	3	9	---	1

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COMPARATIVE SUMMARY OF GIFTS ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS

FISCAL YEAR 1996

<u>COMPONENT INSTITUTION</u>	<u>FY 1995 FULL YEAR</u>	<u>9/1/95 to 11/30/95</u>
U. T. Arlington	\$ 476,474	---
U. T. Austin	11,154,914	\$ 2,061,600
U. T. Brownsville	220,000	---
U. T. Dallas	10,578	600,000
U. T. El Paso	854,886	115,328
U. T. Pan American	524,267	---
U. T. Permian Basin	567,500	10,000
U. T. San Antonio	150,300	---
U. T. Tyler	365,000	86,046
U. T. SWMC-Dallas	4,999,190	750,151
U. T. M.B.-Galveston	3,795,794	3,150,000
UTHSC-Houston	1,068,967	285,111
UTHSC-San Antonio	273,834	---
UTMDACC	1,230,048	---
U. T. HC-Tyler	<u>748,608</u>	<u>---</u>
TOTAL	\$ 26,440,360	\$ 7,058,236

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2. U. T. Austin: Recommendation to Accept Bequest from the Estate of Hazel H. Ransom, Austin, Texas, to Establish the Harry Hunt Ransom Chair and to Establish and Designate Use of the Harry Hunt Ransom General Endowment Fund for the Harry Ransom Humanities Research Center.--

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for Development and External Relations, and President Berdahl that a residuary bequest of approximately \$1,560,000 from the Estate of Hazel H. Ransom, Austin, Texas, be accepted for the benefit of U. T. Austin.

Of the bequest, \$500,000 will be used to establish the Harry Hunt Ransom Chair. Distributions from the endowment will be used to support the Chair in accordance with the terms of Mrs. Ransom's Will. The remainder of the bequest in the amount of approximately \$1,060,000 will be used to establish the Harry Hunt Ransom General Endowment Fund. It is further recommended that use of this General Endowment Fund be designated for the Harry Ransom Humanities Research Center. Distributions from the endowment will be used for general support of operations and collection development within the Humanities Research Center.

BACKGROUND INFORMATION

Mrs. Hazel H. Ransom and her husband, Dr. Harry Hunt Ransom, were very generous supporters of several components of the U. T. System during their lifetimes. Mrs. Ransom received her B.A. in Plan II in 1942 and her M.A. in English in 1944 from U. T. Austin. In her Last Will and Testament, Mrs. Ransom named U. T. Austin to receive a residuary bequest to establish the Harry Hunt Ransom Chair and the Harry Hunt Ransom General Endowment Fund in memory of Dr. Ransom, former Chancellor of the U. T. System and former President of U. T. Austin.

IV. OTHER MATTERS

U. T. Board of Regents: Proposed Adoption of Resolutions Approving Investment Management Services Agreement with The University of Texas Investment Management Company, Approving Certain Terms Precedent to the Execution of the Contract, Approval of Related Amendments to the Regents' Rules and Regulations, and Authorizing the Chairman of the Board of Regents and the Chancellor to Carry Out the Transactions Contemplated by the Resolutions.--

The information supporting this agenda item is still under review and will be provided to the U. T. Board of Regents in advance of the Board meeting.

ASSET MANAGEMENT COMMITTEE

SUPPLEMENTAL MATERIAL

FEBRUARY 8, 1996

IV. Other Matters

U. T. Board of Regents: Proposed Adoption of Resolutions Approving Investment Management Services Agreement with The University of Texas Investment Management Company, Approving Certain Terms Precedent to the Execution of the Contract, Approval of Related Amendments to the Regents' Rules and Regulations, and Authorizing the Chairman of the Board of Regents and the Chancellor to Carry Out the Transactions Contemplated by the Resolutions.--

RECOMMENDATION

The Chancellor, the Vice Chancellor for Asset Management, and the Asset Management Committee concur in the recommendation that the U. T. Board of Regents (the "Board") adopt the following resolutions:

BE IT RESOLVED, that the Board is authorized and empowered to enter into an investment management services agreement (the "Agreement") with The University of Texas Investment Management Company ("UTIMCO") substantially in the form attached hereto as **Exhibit A**, and the Chairman of the Board is hereby authorized and directed, for and on behalf of the Board, to sign the Agreement, with such negotiated revisions, amendments and modifications as he determines to be in the best interests of the Board, such determination to be conclusively evidenced by his execution of the Agreement, and the Executive Secretary to the Board is hereby authorized and directed, for and on behalf of the Board, to attest and seal the Agreement;

FURTHER RESOLVED, that the Board hereby expressly approves the UTIMCO investment policies with revisions to current Board policies as set out in congressional style and attached to the Agreement as Exhibits A through E;

FURTHER RESOLVED, that the Board hereby approves the articles of incorporation and bylaws of UTIMCO attached to the Agreement as Exhibits H and I, respectively;

FURTHER RESOLVED, that the Board hereby approves the UTIMCO Code of Ethics attached to the Agreement as Exhibit J;

FURTHER RESOLVED, that the Board hereby accepts the opinion of Ernst & Young concerning the fair representation, in all material respects, of the Summary of Investments and Total Income of the Permanent University Fund, attached hereto as **Exhibit B**, and hereby finds and determines that said opinion satisfies the requirements of Section 4 of H.B. 1877 requiring a financial audit prior to implementation of the first investment management services agreement with UTIMCO;

FURTHER RESOLVED, that the amendments to Regents' Rules and Regulations as presented in **Exhibit C** hereto are approved;

FURTHER RESOLVED, that the U. T. System is authorized and empowered to enter into an office lease agreement, a furniture lease agreement, an information systems services agreement and other services agreements with UTIMCO as required and the Chancellor is hereby authorized and directed, for and on behalf of the U. T. System, to sign such agreements, in each case with such negotiated revisions, amendments and modifications as he determines are in the best interests of the U. T. System, such determination to be conclusively evidenced by his execution of any such agreement, and the Executive Secretary of the Board is hereby authorized and directed, for and on behalf of the Board, to attest and seal such agreements;

FURTHER RESOLVED, that the assignment of all investment management, brokerage, custodian and other contracts for investment management services to UTIMCO, as the successor entity to the Office of Asset Management are approved;

FURTHER RESOLVED, that the officers of the U. T. System be, and each of them hereby is, authorized and empowered, for, in the name of and on behalf of the Board, to take such actions and to execute and deliver such amendments, certificates, agreements, instruments, notices and documents, or to effect any necessary filings with any and all appropriate regulatory authorities, State and Federal, as may be required, or as such officer may deem necessary, advisable or proper in order to carry out the transactions contemplated by, and the purposes and intent of the foregoing resolutions; all such actions to be performed in such manner, and all such amendments, certificates, agreements, instruments, notices and documents to be executed and delivered in such form, as the officer performing or executing the same shall approve, the performance or execution thereof by such officer to be conclusive evidence of the approval thereof by such officer and by this Board; and

FURTHER RESOLVED, that the authority granted to the officers of the U. T. System under the foregoing resolutions shall be deemed to include, the authority to perform such further acts and deeds as may be necessary or appropriate, in the judgment of such officers, to carry out the transactions contemplated thereby, and all acts and deeds previously performed by the officers of the U. T. System prior to the date of these resolutions that are within the authority conferred hereby, are ratified, confirmed and approved as the authorized acts and deeds of the Board.

BACKGROUND INFORMATION

The recommended actions above are based upon a recent review of the U. T. System investment governance and management structure. This review was undertaken in recognition of the U. T. System's increasing reliance on private support and its endowment resources to fund its mission. Effective use of these critical sources of funding will depend on the successful management by the Board of Regents of the approximately \$8.5 billion of PUF and U. T. System investment assets under its fiduciary care. Successful investment management will present an increasingly formidable challenge in the coming years as a result of two major factors. First, the U. T. System will be required to compete for returns in an increasingly complex investment environment marked by global markets, alternative investment classes, a proliferation of new, complicated financial instruments, and short windows of opportunity. Second, the scale and

complexity of the Board's investment responsibilities have grown to the point where full time oversight of the investment portfolios is required.

As part of its long range planning to help meet the investment challenge presented by such factors, the Asset Management Committee engaged Cambridge Associates, a nationally recognized endowment consulting firm, to evaluate the existing U. T. System investment oversight and management structure. The analysis performed by Cambridge Associates identified numerous deficiencies in the existing governance structure which in its opinion inhibit the U. T. System's ability to compete effectively for investment returns. The major identified governance deficiencies cited were limited investment expertise by most Board members, a lack of "institutional memory" from frequent Board turnover, overlapping governance committees and poor separation of policy formulation from operations.

Cambridge Associates recommended that the Board correct such deficiencies by using a not-for-profit investment corporation based on investment governance and management models successfully employed by other leading universities with multi-billion dollar endowments. As the investment portfolios of these peer institutions increased in scale and complexity over time, the governance structures were restructured to provide for independent operations and significant delegation of authority. These models attempt to remedy the same governance deficiencies identified by Cambridge Associates by establishing hybrid boards consisting of both trustees and investment professionals and delegating investment decisions to investment staff, subject to policy constraints. These structural characteristics were specifically implemented to a) preserve ultimate trustee control of investments for fiduciary purposes, b) create a separate investment board with a high level of investment expertise for oversight purposes, c) emphasize policy deliberation at the board level, d) streamline decision making by shortening reporting lines, and e) focus accountability for investment results.

Based on the conclusions of the Cambridge Associates evaluation, the U. T. Board on April 10, 1995 adopted a resolution authorizing the pursuit of statutory amendments for delegation of investment authority of Board designated funds to a non-profit investment management corporation. Such statutory authority was provided in May, 1995 with the passage of HB 1877 by the Texas Legislature. HB 1877 amended Section 66.08 of the Education Code and authorized the Board to enter into a contract with a non-profit corporation to invest funds under the control and management of the Board subject to certain conditions:

- I. that the corporation not engage in any business other than investing funds designated by the Board under the contract;
- II. that the Board approve:
 - A. the articles of incorporation and by-laws of the corporation and any amendments thereto
 - B. the investment policies of the corporation, including amendments thereto
 - C. the audit and ethics committee of the corporation, and
 - D. the code of ethics of the corporation;
- III. that the Board appoint and remove all members of the corporation's board of directors;
- IV. that the Board provide for an annual financial audit of the Permanent University Fund;

V. that the corporation file quarterly reports with the Board concerning matters required by the Board.

Following the receipt of statutory authority to contract with a nonprofit corporation to invest Board designated funds, the Board authorized the preparation of a business plan pursuant to which a 501(c)(3) corporation to be known as The University of Texas Investment Management Company would be organized and contracted with to perform the investment management functions currently performed by the Office of Asset Management. This plan was presented to the Chancellor, the Asset Management Committee and the U. T. Board in various briefings as is the basis for the recommended actions.

The proposed Investment Management Services Agreement (**Exhibit A**) appoints UTIMCO as the Board's investment manager with complete authority to act for the Board in the investment of all funds currently managed by the Office of Asset Management. The Agreement also defines the investment management services to be provided by UTIMCO and imposes a fiduciary duty on the company in performing its services. It provides for the safekeeping of investments with the current custodian, Mellon Trust, Pittsburgh, Pennsylvania and the assessment of four fees: 1) a one-time organizational fee in an amount not to exceed \$250,000 with which to fund expenses incurred in organizing UTIMCO, 2) a one-time working capital fee equal to \$500,000 to be used by UTIMCO as a working capital reserve, 3) a one-time equipment fee in the form of an in-kind transfer of certain office equipment currently used by the Office of Asset Management and listed in Exhibit F with an estimated book value of \$631,000 and 4) an annual management fee for the current fiscal year at an annualized rate of \$4,530,602 or approximately .05% of the market value as of August 31, 1995 of funds to be managed by UTIMCO, as presented in Exhibit G. The Agreement also authorizes UTIMCO to charge each fund under management for the direct expenses incurred for portfolio management, custody, auditing and other services performed by external vendors for each fund. Furthermore, the Agreement indemnifies UTIMCO and its directors, employees and other agents to the fullest extent permitted by applicable law. Finally, it prohibits self dealing and service to other clients and allows the U. T. Board to terminate the Agreement by written notice to UTIMCO subject to reasonable allowance for settlement of pending trades.

Approval of the UTIMCO Investment Policy Statements (Exhibits A - E) encompasses the following actions:

Permanent University Fund (Exhibit A): Rescission of the existing PUF policy and adoption of a new policy. The recommended new policy recognizes the non-total return structure of the fund by emphasizing income growth over total return and an increased allocation to equities. This policy was approved by the Asset Management Committee in October 1995.

Long Term Fund (Exhibit B): The proposed policy statement contains no policy changes per se. Amendments relate to the substitution of UTIMCO for Office of Asset Management where appropriate and standardization of definitions with the PUF policy.

Operating Funds Investment Policy Statement (Exhibit C): Amended to substitute UTIMCO for Office of Asset Management.

Short/Intermediate Term Fund Information Memorandum (Exhibit D): Amended to reflect the dissolution of the Fund Advisory Board, incorporation of a pre-approved section regarding derivatives guidelines, and substitution of UTIMCO for Office of Asset Management.

Private Investment Policy Statement (Exhibit E): Recognize the substitution of UTIMCO and the UTIMCO Board for the Asset Management Committee and revision of valuation policy to conform to industry standards.

The proposed amendments to the Regents' Rules and Regulations (Exhibit C) are recommended to dissolve the existing investment governance and management structure and to recognize the provision of investment management services by UTIMCO. Included in the revisions to the Rules and Regulations is the dissolution of the Asset Management Committee, the Office of Asset Management and the Investment Advisory Committee.

UTIMCO will enter into an agreement with the U. T. System to lease 12,565 sq. ft. on CTJ2 and CTJ3 and 40 parking spaces for employees and visitors at an initial annual rate of \$197,700. UTIMCO will receive a tenant's improvements allowance of \$155,000. UTIMCO also will enter into an information systems support contract with the U. T. System until such time as it can support its own information technologies.

The documents supporting this agenda item have been reviewed by the Office of General Counsel as to compliance with the enabling legislation and the Office of the Board Regents as to revision of the Regents' Rules and Regulations.

Adoption of the recommended resolutions to create a new investment governance and management structure will strengthen the U. T. Board's ability to fulfill its fiduciary responsibility and to generate investment returns equal to or in excess of peer universities.



Exhibit A

INVESTMENT MANAGEMENT SERVICES AGREEMENT

This Investment Management Services Agreement (this "Agreement") by and between the Board of Regents (the "U.T. Board") of The University of Texas System (the "U.T. System") and The University of Texas Investment Management Company ("UTIMCO"), a Texas non-profit corporation, is effective March 1, 1996, (the "Effective Date").

RECITALS

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

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

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon's Texas Civil Statutes, for the express purpose of investing funds under the control and management of the U.T. Board, as designated by the U.T. Board, in accordance with the laws of the State of Texas; and

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

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

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

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

AGREEMENT

Section 1. Definitions.

Accounts shall mean those funds for which the U.T. Board has investment responsibility, namely (a) the Permanent University Fund, excluding PUF Lands, (b) the U.T. Board Accounts and (c) the U.T. Board Trust Accounts.

Available University Fund or AUF shall mean the dividend, interest and other income of the Permanent University Fund (less administrative expenses), including net income attributable to the surface of PUF Lands, all as provided by Article VII, Section 18 of the Texas Constitution.

Affiliate shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.

Claims shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.

Custodian or Custodians shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safekeep physical securities representing investment assets of any Account and to perform the other functions listed in Section 5 hereof. The primary Custodian as of the effective date of this Agreement is Mellon Trust of Medford, Massachusetts. Substitute or additional Custodians may be appointed by UTIMCO from time to time.

Indemnified Parties shall mean UTIMCO and any of its officers, directors, employees and agents.

Investment Policies shall mean the written investment policies relating to the PUF, the LTF, the SIF, the S/ITF and the STF attached hereto as Exhibits A-E, as the same may be amended from time to time by UTIMCO with the consent and approval of the U.T. Board.

Long Term Fund or LTF shall mean the long-term pooled investment fund previously established by the U.T. Board for the collective investment of all endowment and other long-term funds of component institutions of the U.T. System (other than the Permanent

University Fund and other funds subject to use restrictions that are inconsistent with investment in such Long Term Fund).

Losses shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys', accountants' and other professionals' fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

Permanent University Fund or PUF shall mean the constitutional fund known by that name and established pursuant to Article VII, Section 11 of the Texas Constitution.

Permanent University Fund Lands or PUF Lands shall mean the approximately 2,109,109 acres of land located in 24 Texas counties and constituting a part of the Permanent University Fund.

Q.E.I.E. shall mean the quasi-endowment fund established by the U.T. Board on December 8, 1988, to provide performance compensation for professional staff employed by the Office of Asset Management.

Separately Invested Funds or SIFs shall mean U.T. System Funds or U.T. Board Trust accounts which by election of the U.T. Board or by requirement of the trust indenture or donative instrument are invested separately and apart from other U.T. System Funds and the PUF.

Short/Intermediate Term Fund or S/ITF shall mean the short/intermediate term pooled investment fund previously established by the U.T. Board for the collective investment of funds (other than endowment and other long-term funds, including the Permanent University Fund) of the component institutions of the U.T. System.

Short Term Fund or STF shall mean the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U.T. System Funds. As of the effective date of this Agreement, the only Short Term Fund is a money market mutual fund known as the Financial Square Prime Obligations Fund, which is a series of the Goldman Sachs Money Market Trust. Substitute or additional money market mutual funds (including internally managed funds) may be approved by UTIMCO from time to time as the Short Term Fund.

U.T. Board Accounts shall mean the investment assets of the U.T. System, consisting of the Long Term Fund, the Short/Intermediate Term Fund, the Short Term Fund and the Separately Invested Funds.

U.T. Board Trust Accounts shall mean the assets of charitable remainder trusts, foundations and other separately invested funds for which the U.T. Board serves as trustee on behalf of itself and other co-beneficiaries.

U.T. System Funds shall mean all funds under the control and management of the U.T. Board, other than the Permanent University Fund and the U.T. Board Trust Accounts.

Section 2. Delegation of Investment Authority.

The U.T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Accounts, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U.T. Board with continuous investment management services and shall invest and reinvest the assets of the Accounts in such ways and at such times as are believed by UTIMCO to be consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U.T. Board's investment affairs and shall manage each Account as a discretionary account.

Section 3. Description of Investment Management Services.

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

a) **Investment Policies:**

UTIMCO shall review current investment policies for each Account and recommend any amendments for approval by the U.T. Board. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, and designated performance benchmarks for each asset class.

b) **Investment Management:**

UTIMCO shall oversee the investment management process. Such oversight shall include the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each asset class within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each asset class.

c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for the PUF and U.T. Board accounts. Such responsibilities shall include the calculation and evaluation of performance of asset classes and individual portfolios, against established benchmarks over various periods of time, the periodic review of performance benchmarks, the reporting of investment performance of Separately Invested Assets and U.T. Board Trust Accounts as requested by the U.T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, settlement of all trades (to the extent such trades are not settled by Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with

generally accepted accounting principles, the preparation and delivery of periodic financial reports on all funds; and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Accounts.

e) **Books and Records:**

UTIMCO shall maintain the books and records for each Account on the basis of a fiscal year ending August 31st (or such other fiscal year as the U.T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Account. The books and records of the Accounts and all records concerning UTIMCO's operations shall be available during normal business hours for inspection by an authorized representative of U.T. System. UTIMCO shall provide full audit access to auditors representing the U.T. Board or the State Auditor, including access to any and all information concerning the operations of UTIMCO.

f) **Other Services:**

UTIMCO shall perform other investment management services to include attending meetings of the U.T. Board and making such reports as the U.T. Board may request from time to time, voting of securities (or proxies with respect thereto) held as investments of the Accounts; providing U.T. System component institutions with annual endowment reports reflecting, among other things, changes in the investment value of such component's endowment and distributions made to such component to support the activities for which the endowment was established; providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing funds to authorized beneficiaries on foundation accounts; effecting distributions directly or through the Custodian to U.T. System component institutions or other named beneficiaries from the Accounts; supporting and maintaining on-line account information system for endowment accounts; and any other services necessary to provide investment management of the Accounts.

Section 4. Investment Manager as Fiduciary.

UTIMCO acknowledges that it will be acting as a fiduciary with respect to managing the investments of the Accounts and that, subject to the Investment Policies and applicable law, it will exercise the judgment and care under the circumstances then prevailing that persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital. The U.T. Board recognizes that all investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk. The U.T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Accounts as a result of investments made pursuant to the Investment Policies, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold

UTIMCO harmless from the consequences of any action taken or omitted to be taken by the U.T. System or any of its employees or agents prior to the Effective Date of this Agreement.

Section 5. Custody of Assets.

UTIMCO shall use custodians for safekeeping, settlement of security purchases, sales, collection of income and other duties as more fully described in the existing custody agreement between the U.T. Board and the Custodian, which agreement, together with the U.T. Board's rights, duties and obligations thereunder, has been or shall be assigned to UTIMCO. In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the Board and may invest in a regulated mutual fund or the Common Fund, which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

Section 6. Use of Unaffiliated Investment Managers.

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Accounts and to perform other duties as more fully described in existing investment advisory agreements between the U.T. Board and such investment advisors, which agreements, together with the U.T. Board's rights, duties and obligations thereunder, have been or shall be assigned to UTIMCO.

Section 7. Investment Management Fees; Direct Expenses.

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

a) **Organizational Fee:**

On the Effective Date, the U.T. Board shall pay UTIMCO the sum of \$250,000 as reimbursement for expenses incurred in organizing UTIMCO to provide the investment management services required herein. Any excess funds remaining after payment of all actual organizational expenses shall be rebated back to the U.T. Board.

b) **Working Capital Fee:**

On the Effective Date, the U.T. Board shall pay to UTIMCO an amount equal to \$500,000 to be used by UTIMCO as a working capital reserve. Said reserve shall be used, as needed, to pay operating expenses associated with the general management of the Accounts and shall be reviewed annually to determine its level of adequacy.

c) **In-Kind Transfer of Office Equipment:**

On the Effective Date, the U.T. Board shall transfer title to certain equipment currently used by the Office of Asset Management of the U.T. System listed on Exhibit F hereto with an estimated book value of \$631,000.

d) **Annual Management Fee:**

At least sixty (60) days prior to August 31 of each year, UTIMCO shall submit to the U.T. Board its proposed annual fee for the following fiscal year (an "Annual Fee"). The Annual Fee shall be based on UTIMCO's annual budget which shall include all operating expenses associated with the general management of the Accounts, including, without limitation, salaries, benefits and performance compensation of portfolio management and support personnel (to the extent that same are not budgeted for payment from the Q.E.I.E.), expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder.

At the same time that UTIMCO submits its Annual Fee, it shall also submit to the U.T. Board an allocation formula for charging the Annual Fee to the Accounts. The Annual Fee and the allocation formula shall be approved or disapproved by the U.T. Board at its next regular meeting. The U.T. Board will not unreasonably withhold approval of the Annual Fee or the allocation formula. Any such fee or formula which is disapproved shall be promptly revised by UTIMCO and re-submitted to the U.T. Board for approval. If any Annual Fee or allocation formula is not approved by the U.T. Board prior to the first day of the fiscal year covered by such Annual Fee or allocation formula, the Annual Fee and allocation formula, as the case may be, in effect during the previous fiscal year shall continue in effect until a new Annual Fee or allocation formula, as the case may be, has been approved for the new fiscal year. Notwithstanding the foregoing, the Annual Fee and allocation formula for the initial fiscal year (or remainder thereof) of this Agreement shall be set forth on Exhibit G.

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Account with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter; provided, that following an audit of UTIMCO's financial statements for any fiscal year, if it is determined that UTIMCO's operating expenses during such fiscal year were less than its Annual Fee, UTIMCO shall credit the surplus amount charged to the Accounts during such fiscal year (based upon the allocation formula then in effect) against the amount charged to each respective Account on or before the first day of the next fiscal quarter; provided, further, that UTIMCO shall credit investment earnings realized on funds pending disbursement to pay operating expenses in the same fashion as set forth in the immediately preceding proviso. UTIMCO shall be entitled, with the approval of the U.T. Board, to revise the Annual Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

UTIMCO is hereby authorized to pay from each Account direct expenses incurred for portfolio management, custodian, auditing, and other services which are performed by external vendors specifically for each Account. UTIMCO is authorized to pay expenses incurred on behalf of the Permanent University Fund by submitting a purchase voucher to

the State Comptroller for payment of said expenses from the Available University Fund. Notwithstanding the above, vouchers submitted for quarterly payment of the UTIMCO annual management fee from the AUF shall require the approval of the Office of Investment Accounting of the U.T. System (or any successor to the functions of that office).

e) **Performance Compensation:**

In addition to the fees provided for above, the U.T. Board shall pay to UTIMCO from the Q.E.I.E. the amount of performance compensation actually awarded to UTIMCO staff, subject to the maximum amount of such compensation budgeted for payment from the Q.E.I.E. pursuant to UTIMCO's annual budget. Amounts distributed from the Q.E.I.E. in any given year in excess of amounts paid to UTIMCO shall be reinvested and shall be available for future payment to UTIMCO pursuant to this subsection (e).

Section 8. Brokerage Commissions.

The U.T. Board acknowledges and agrees that the investment management fees provided for in Section 6 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full and absolute discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Accounts; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO. All orders for Account transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U.T. Board acknowledges and agrees that UTIMCO, from time to time and in accordance with applicable law, may pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Accounts. Notwithstanding the preceding sentence, UTIMCO agrees that the average commission rate paid to brokers on all orders for transactions for the Accounts shall not exceed 6¢ per share or such other rate (higher or lower) as shall be set by the U.T. Board from time to time.

Section 9. Valuation of Account Assets.

For the purposes of reporting the valuation of each Account, the market value of the securities (including cash and short term equivalents) settled in the Account shall be determined as of the close of business on the last business day of each fiscal quarter by the Custodian.

Section 10. Representations and Warranties of Parties.

U.T. Board.

- A. The U.T. Board (a) is duly established and validly existing under the laws of the State of Texas and is an agency of the State of Texas, (b) has all power and authority and all material government licenses, authorizations, consents and approvals required

to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.

- B. The execution, delivery and performance by the U.T. Board of this Agreement have been duly authorized by all necessary action and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the U.T. Board is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the U.T. Board of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of the U.T. Board.
- E. There is no action, suit or proceeding pending or, to the knowledge of the U.T. Board, threatened against or affecting the U.T. Board or the U.T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U.T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
- F. The U.T. Board has approved and does hereby approve:
- (1) the Articles of Incorporation and Bylaws of UTIMCO attached as Exhibits H and I, respectively;
 - (2) the Investment Policies;
 - (3) the audit and ethics committee of UTIMCO, the members of which are listed on Exhibit J; and
 - (4) the Code of Ethics of UTIMCO attached as Exhibit K.
- G. The U.T. Board has been provided with the opportunity to ask questions of, and it has received answers thereto satisfactory to it from, UTIMCO and its representatives regarding this Agreement and has obtained all additional information requested by it of UTIMCO and its representatives prior to entering into this Agreement.

UTIMCO.

- A. UTIMCO (a) is duly organized and validly existing as a Texas non-profit corporation under the laws of the State of Texas, particularly the Texas Non-Profit Corporation Act, Article 1396-1.01 et seq., Vernon's Texas Civil Statutes, (b) has all corporate power and authority and all material government licenses, authorizations, consents

and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.

- B. The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized by all necessary action by UTIMCO and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which UTIMCO is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by UTIMCO of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of UTIMCO.
- E. There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

Section 10. Prohibition Against Self-Dealing.

Consistent with the requirements of Section 66.08, Texas Education Code, UTIMCO shall not enter into an agreement or transaction with any of the following:

- A. A director, officer, or employee of UTIMCO acting in other than an official capacity on behalf of UTIMCO;
- B. A business entity in which a director, officer, or employee of UTIMCO has an interest;
- C. A former director, officer, or employee of UTIMCO on or before the second anniversary of the date the person ceased to be a director, officer, or employee of UTIMCO;
- D. A business entity in which a former director, officer, or employee of UTIMCO has an interest on or before the second anniversary of the date the person ceased to be a director, officer, or employee of UTIMCO.

For purposes of this Section, a person has an interest in a business entity if (i) the person owns five percent or more of the voting stock or shares of the business entity; (ii) the person owns five percent

or more of the fair market value of the business entity; or (iii) money received by the person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. Any agreement or transaction entered into in violation of this Section 10 is void.

Section 11. Prohibition Against Service to Other Clients.

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

Section 12. Investment Company Act.

UTIMCO shall not be required to register as an "investment company" under the investment Company Act of 1940, as amended.

Section 13. Termination.

The U.T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon thirty (30) days' written notice to the U.T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all compensation and benefits earned prior to termination.

Section 14. Amendments.

No amendment hereto shall be effective unless executed in the same manner as this Agreement.

Section 15. Notices.

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered and receipted to the other party, or sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the addressed party. The following are the designated addresses for such notices or communications and may only be changed by communication in the manner required by this paragraph:

To U.T. Board:

Board of Regents of The University of Texas System
Attn: Executive Secretary
201 West Seventh Street
Austin, Texas 78701
Tel. (512) 499-4402
Fax. (512) 499-4425

To UTIMCO:

The University of Texas Investment Management Company
Attn: President
210 West Sixth St. - 2nd Floor
Austin, Texas 78701
Tel. (512) 499-4337
Fax. (512) 499-4365

Section 16. Non-Assignability.

No Assignment of this Agreement by UTIMCO shall be made without having obtained the prior written consent of the U.T. Board nor is the Agreement assignable by the U.T. Board without prior written consent of UTIMCO.

Section 17. No Waiver of Breach.

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

Section 18. Indemnification.

a) **Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U.T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U.T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U.T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

b) **Reimbursement:**

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

c) **Notice:**

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

d) **Defense:**

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

e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U.T. Board in the defense of any action or Claim. The U.T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with the consent of the U.T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U.T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

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

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

Section 19. Confidential Relationships.

Except as otherwise required by law, all information and recommendations furnished by UTIMCO shall be regarded as confidential by the U.T. Board. Each party shall regard as confidential all information concerning the affairs of the other party or the Accounts. Each party shall take all steps as are reasonably necessary to ensure compliance with this Section.

Section 20. Entire Agreement; Miscellaneous.

This Agreement contains the entire agreement between the parties and all representation with respect to the subject matter thereof. Headings in the Agreement are for purposes of reference only and shall not limit or otherwise effect the meaning hereof. Any capitalized term used in an Exhibit to this Agreement shall have the meaning designated herein, unless otherwise defined in the Exhibit itself.

Section 21. Governing Law.

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

**BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM**

Date: _____

By: _____
Bernard Rapoport
Chairman

ATTEST:

Arthur H. Dilly
Executive Secretary

**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY,
a Texas non-profit corporation**

Date: _____

By: _____
Thomas G. Ricks
President



PERMANENT UNIVERSITY FUND

INVESTMENT POLICY

Background

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of The University of Texas System and The Texas A&M University System. The PUF was established by the Texas Constitution in 1876 with the appropriation of one million acres of land in addition to land previously granted to The University of Texas. The granting of land to the PUF was completed in 1883 with the granting of an additional one million acres of land. The 2,109,110 acres held by the PUF are located in 19 West Texas counties.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, in the form of surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non distributable part of PUF corpus, and is invested in securities. Surface income, as a renewable source of income, is distributed to the Available University Fund, (the "AUF"), as received.

The Constitution prohibits the distribution and expenditure of PUF corpus. As a result, realized gains and losses from the sale of PUF securities must be retained as corpus and may not be distributed to the AUF. Conversely, the Constitution requires the distribution of all PUF income, generally in the form of dividend and interest income, into the AUF to be expended for certain authorized purposes.

The expenditure of PUF income which is distributed to the AUF is subject to a prescribed order of priority:

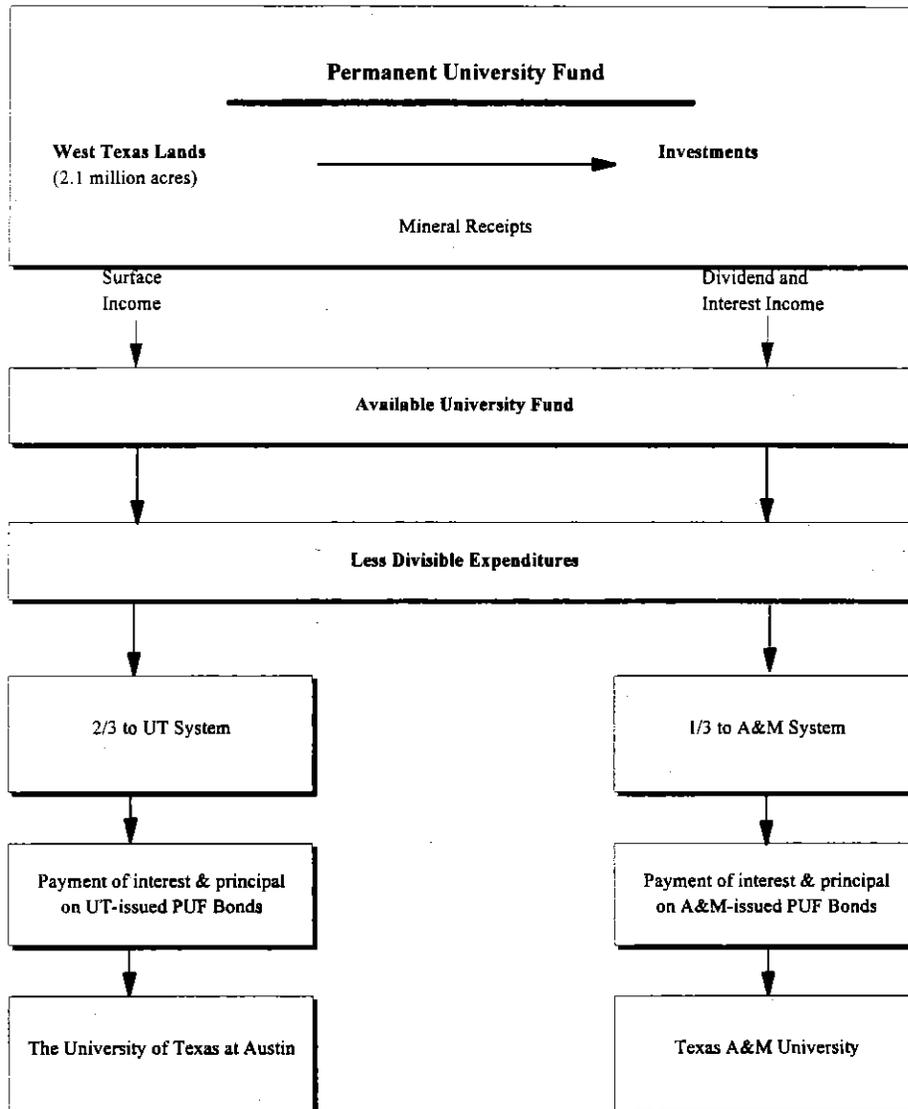
First, expenses incurred in the administration of PUF lands and securities. Resolutions adopted by the U. T. Board of Regents (the "U. T. Board") require that administrative expenses of the PUF be restricted to a minimum consistent with prudent business judgment.

Second, following a 2/3rds and 1/3rd allocation of distributed PUF income (net of administrative expenses) to the U. T. System and Texas A&M University System, expenditures for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the U. T. Board and the TAMU Board to issue bonds payable from their respective interests in distributed PUF income to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the projected interest in PUF net income for each System covers projected debt service at least 1.5 times.

Third, expenditures to fund a) excellence programs specifically at U. T. Austin and Texas A&M University (respectively) and b) the administration of the university systems.

The distribution of income and expenditures from the PUF to the AUF is depicted below in Exhibit 1:

Exhibit 1



Responsibility and Management of the PUF

Article VII of the Texas Constitution assigns fiduciary responsibility for managing and investing the Fund to the U. T. Board. Article VII authorizes the U. T. Board, subject to procedures and restrictions it establishes, to invest the Fund in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent person investment standard. This standard requires that the U. T. Board, in making investments, shall exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

Section 66.08 of the Education Code and Section 163 of the Property Code authorize the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in investment of the PUF.

Investment Objectives

Establishment of investment objectives for the PUF is complicated by the fact that, under the Constitution, growth in the value of PUF investments produces no benefit to the PUF's beneficiaries unless price growth is converted into growth in distributable income. Only then will the PUF beneficiaries benefit in the form of increased AUF debt service capacity and/or increased payout capacity for excellence programs.

The investment objectives for the PUF, as a perpetual endowment fund, are twofold:

1. to grow distributable investment income at a minimum rate equal to inflation. High volatility of distributed income (i.e., volatility of debt service coverage ratios and program support) should be minimized to preserve the AAA rating assigned to PUF bonds. Minimization of income volatility shall be achieved, in part, through diversification of PUF assets in order to provide that investment in a single security, issuer, industry or asset class shall not have an excessive impact on PUF asset income. This first objective of growing distributable investment income paid to the AUF at a minimum rate equal to inflation is directed at preserving the purchasing power of beneficiaries in the future.
2. The second major objective for the PUF shall be directed at the current year's beneficiaries - to grow investment income over the preceding fiscal year at a minimum rate equal to the rate of income growth produced by the capital markets. This second objective recognizes that the use of passive indexation is an authorized investment strategy and that the use of active investment strategies must generate rates of income growth (net of expenses) over that of an index.

The need to reconcile the interests of current beneficiaries with those of future beneficiaries must recognize that a high level of distributed income in a current year is desirable only to the extent that it can be grown at the rate of inflation over time.

Asset Allocation

Achievement of PUF investment objectives shall be pursued primarily through asset allocation. Policy allocation ranges for each asset class (as contained herein) shall be determined by the chief investment officer subject to annual approval of the U. T. Board. Actual allocations to asset classes at any time may be adjusted by the chief investment officer (within approved ranges) in response to changes in its outlook for investments.

PUF investments shall be allocated among the following broad asset classes based upon their individual income and price growth characteristics, risks, and relationships to other asset classes. PUF asset allocation shall recognize the unique Constitutional provisions governing the separation of income from capital.

I. Cash Equivalents

- **Income:** Yields on cash equivalents such as commercial paper, State Treasury deposits, etc. are fixed for short periods. In the majority of cases, yields on cash equivalents are significantly below those of longer term fixed income securities. Although their short terms and frequent resetting of yields provide some protection against inflation, these characteristics also can produce high income volatility.
- **Price:** Market values of cash equivalents seldom vary from par values due to their short maturities. Since these securities mature at par, there is no opportunity to realize price appreciation with which to protect purchasing power. The short term nature of these securities are generally inappropriate given the perpetual nature of the PUF. Cash equivalents should only be used to provide liquidity for expected securities purchases.

II. Fixed Income Investments

- **Income:** Fixed income investments offer the best protection for hedging against the threat of *deflation* by providing a fixed and predictable source of PUF income. The fixed nature of the coupon rate provides no volatility of income *over the term of the security*. At the same time, however, this same characteristic renders fixed income securities ineffective in growing coupon income over time to offset inflation.
- **Price:** The value of fixed income securities varies inversely with changes in interest rates. Current Constitutional restrictions, however, substantially limit the ability to sell fixed income securities without creating income volatility. During periods of declining interest rates, the sale of appreciated fixed income securities to realize gains will reduce interest income upon reinvestment of proceeds. Realized gains may not be distributed to the AUF to offset the loss of income. Conversely, during periods of rising interest rates, the sale of depreciated securities to increase income will reduce book value as the loss is realized. This will reduce statutory debt capacity and inhibit the ability to issue PUF bonds to fund new capital projects or to refinance outstanding obligations. While reinvestment of proceeds into higher yielding bonds may increase interest income at a

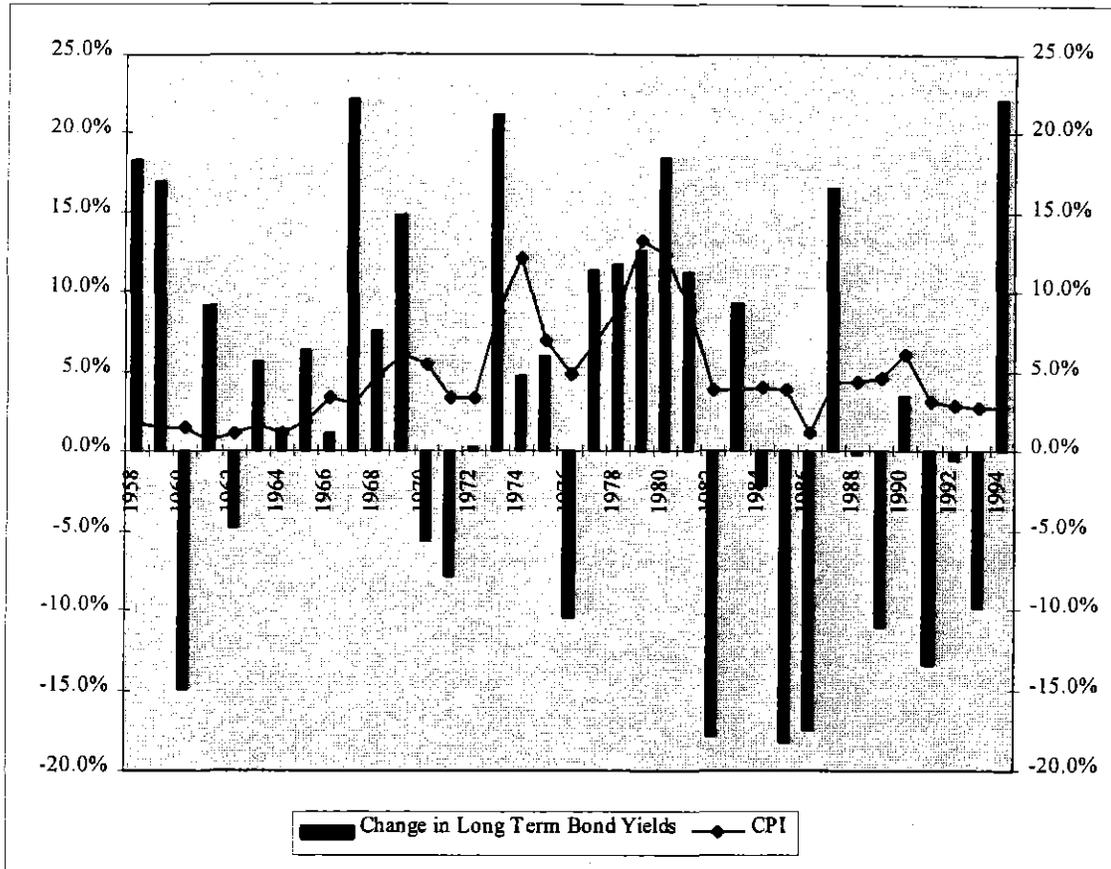
rate equal to or greater than the rate of inflation for a period of time, the increased income from the higher yielding bonds must all be distributed to the AUF and thus will not be available for retention in PUF corpus to offset realized losses.

In addition, the ability to grow income through the sale of bonds prior to their maturity date is unsustainable over the long term. Long term growth of interest income through reinvestment into higher yielding bonds requires that interest rates grow in perpetuity. The cyclicality of interest rates will inevitably produce periods of declining rates and reinvestment of bond proceeds at lower yields.

Given current Constitutional restrictions and a U. T. Board preference to maintain a threshold level of PUF investment income in any budget year, the use of a total return strategy (e.g. buying and selling bonds in anticipation of changes in the yield curve to generate gains) for any amounts allocated to fixed income securities is inappropriate as a means to achieve PUF investment objectives. Such a strategy is inappropriate because total return fails to distinguish between income and principal. Furthermore, over long term interest rate cycles, income increases and decreases resulting from security sales prior to maturity will cancel each other out. The result is an aggregate income distribution roughly equal to that of a buy and hold strategy only with substantially more year to year income volatility.

The cyclicality of interest rates also produces income volatility for the fixed income portfolio as a whole even when a bond is held to maturity. Consequently, the Constitutional restrictions and susceptibility of AUF expenditures to income volatility require a buy and hold strategy in order to minimize reinvestment risk, i.e., failure to replace coupon rates on maturing bonds. Fixed income securities should be purchased and redeemed at maturity. Fixed income securities should be of high quality (to control credit risk), non-callable, when practical (to control optional redemption risk), and long term in order to maximize yield for a given level of risk(exceptions for periods of inverted yield curves). Emphasis should also be placed on both laddering maturities over maturity years and diversifying the composition of yields for any given maturity year (where possible) in order to control the volatility of reinvestment yield spreads and, by definition, annual distributable income.

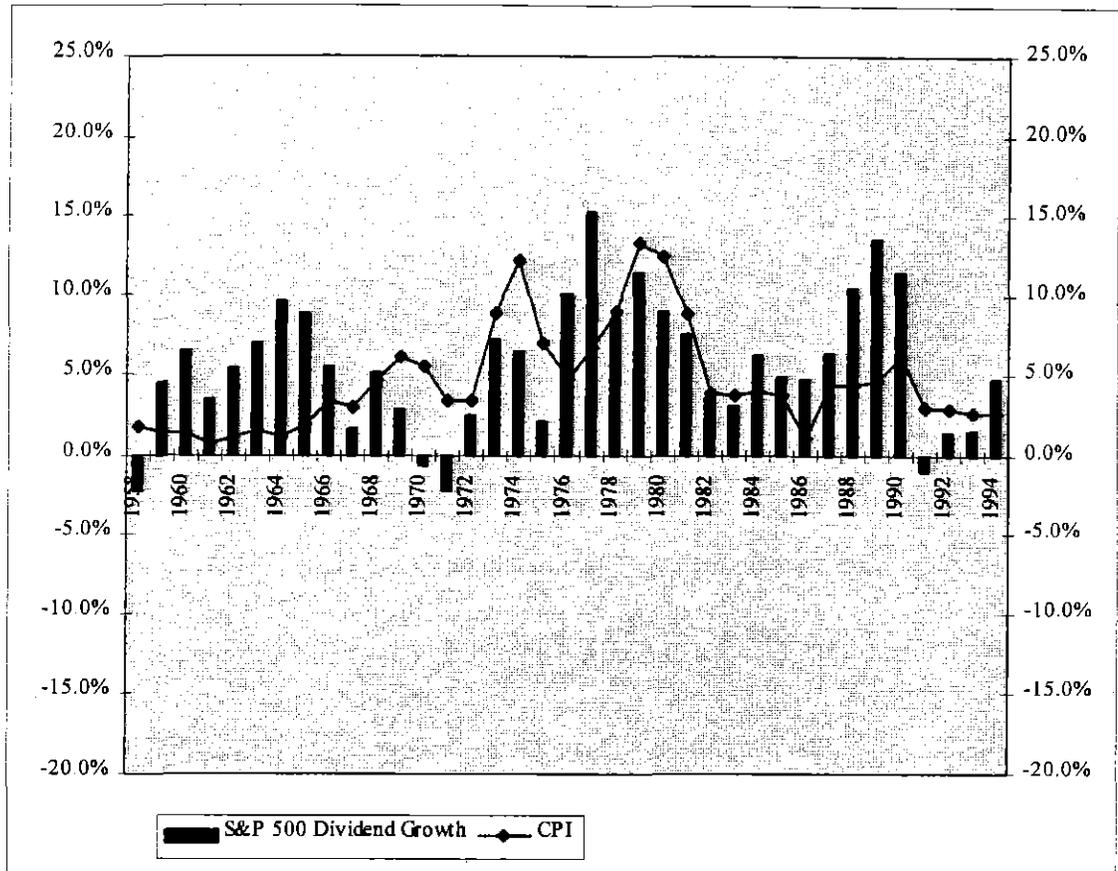
The historical volatility of bond yields (as represented by the 30 year U.S. Treasury bond) from year to year and the annual rate of inflation is presented below:



Yields on long term bonds (i.e., reinvestment yields) since 1957 have been characterized by high year to year volatility and an inability to either reduce income volatility or to grow income at the rate of inflation as required by the PUF's primary investment objective.

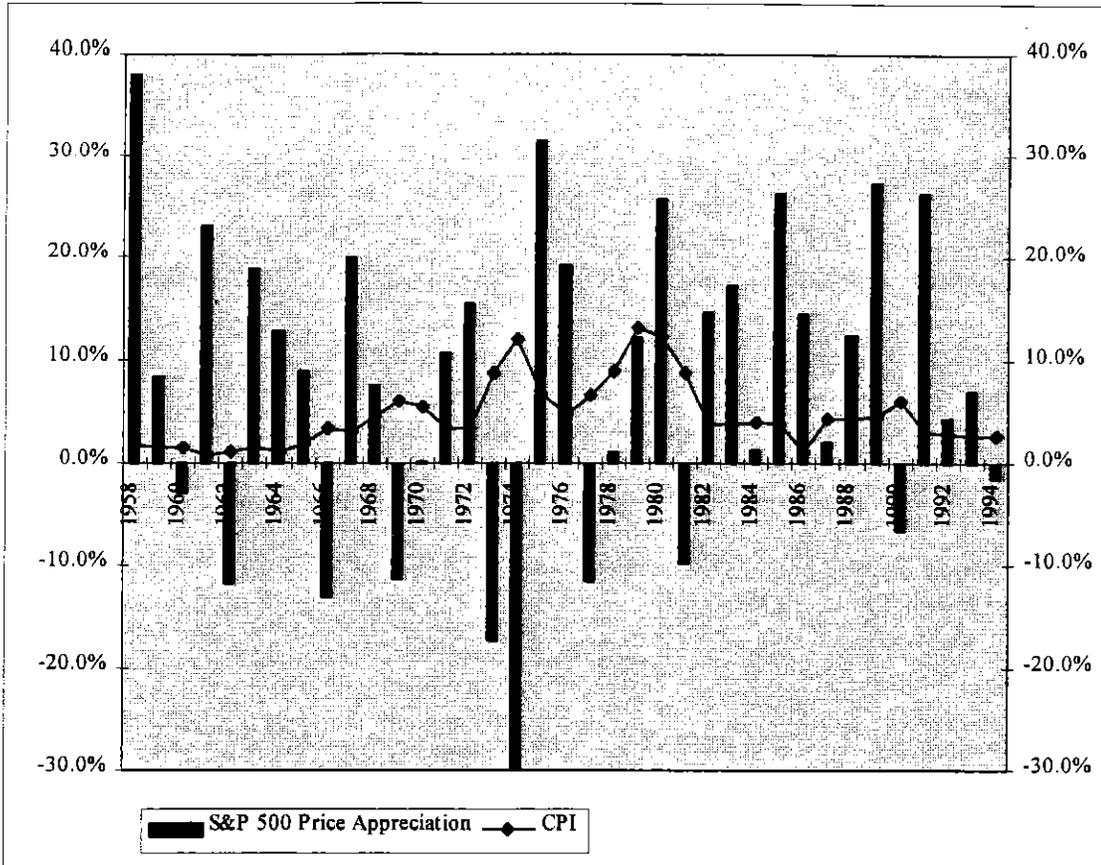
III. Equities

- Income:** Dividend yields of equity securities are generally significantly below yields on fixed income securities. While fixed income coupon rates are fixed over the life of a bond, dividend rates are adjustable by corporate boards. Thus, equities can produce downward income volatility. However, year to year declines in dividend rates (as represented by the S&P 500 Index), have been infrequent and of relatively small magnitudes. The chart below indicates that dividends of the corporate stocks underlying the S&P 500 Index have increased in virtually every year. The average rate of growth has been 5.5% per year since 1957 - an annual rate greater than the 4.6% average rate of inflation.



Given historical evidence of dividend growth, equity securities are preferable to fixed income securities in preserving the purchasing power of PUF distributable income.

- Price:** The values of equity securities vary in response to the activities of individual companies, as well as general market and economic conditions. Equity securities are distinct from fixed income senior debt securities in that sale of appreciated or depreciated securities does not necessarily produce higher or lower dividend yields. In addition, periods of price depreciation in the equity market do not necessarily imply dividend reductions correlate with dividend decreases. Equity securities participate in a company's ability to raise prices during inflation or reduce costs in order to increase earnings. Since 1957, price appreciation of the S&P 500 Index has averaged 6.8% a year - vs. an average rate of inflation of 4.6%. Consequently, equity securities, on average, are also superior to fixed income securities in protecting asset values.



Equity securities contain significant price risk in periods of economic dislocation. Since 1929, there have been three 3-year periods in which the cumulative decline in the value of equities for the period has ranged from 32% to 76%. Asset allocation policy should recognize that the PUF is a perpetual fund without liabilities such as insurance claims, pension benefits, etc. which might require the forced liquidation of equities during periods of financial distress. The PUF is uniquely structured to withstand the short term volatility of equity prices and to capture the higher rates of income and price growth that equities offer *over the long term*.

IV. Alternative Assets

- **General:** Defined as illiquid investments designed to enhance long term returns through investment in inefficient, complex markets. Examples are investments in buy-outs, venture capital companies, etc. where the securities are not registered for sale on public exchanges. These investments may be in the form of limited partnership interests or directly held securities.

- **Income:** As a rule, alternative assets derive the majority of their returns from price appreciation. Dividend rates are low to non-existent but do offer the opportunity for growth over time. Certain securities such as mezzanine investments offer fixed coupon rates and frequently are accompanied by warrants or other equity equivalents which can provide price appreciation. Although the coupon rates on such securities often exceed the rates on more traditional senior fixed income securities, they are generally fixed during the term of the instrument and thus offer no potential for income growth over time.
- **Price:** Although not traded on an exchange for most of the holding period, alternative assets offer high rates of price return as compensation for illiquidity and greater financial risk. These risks should be controlled through disciplined due diligence and diversification.

Alternative assets are appropriate as a PUF asset class in order to compensate for allocation to deflation hedging fixed income securities and for their ability to produce above average rates of price appreciation.

Asset allocation policy should recognize also that debt service on PUF bonds (and in fact all AUF expenditures) are denominated in dollars. Exposure to securities whose income payments are denominated in foreign currencies should be set so as to minimize income fluctuations created by changes in foreign exchange rates, dividend withholding taxes and other governmental regulations.

Asset Allocation Policy Targets

Unless subsequently changed by the chief investment officer, with the approval of the U. T. Board, the long term asset allocation policy ranges and targets for the Fund shall be as follows:

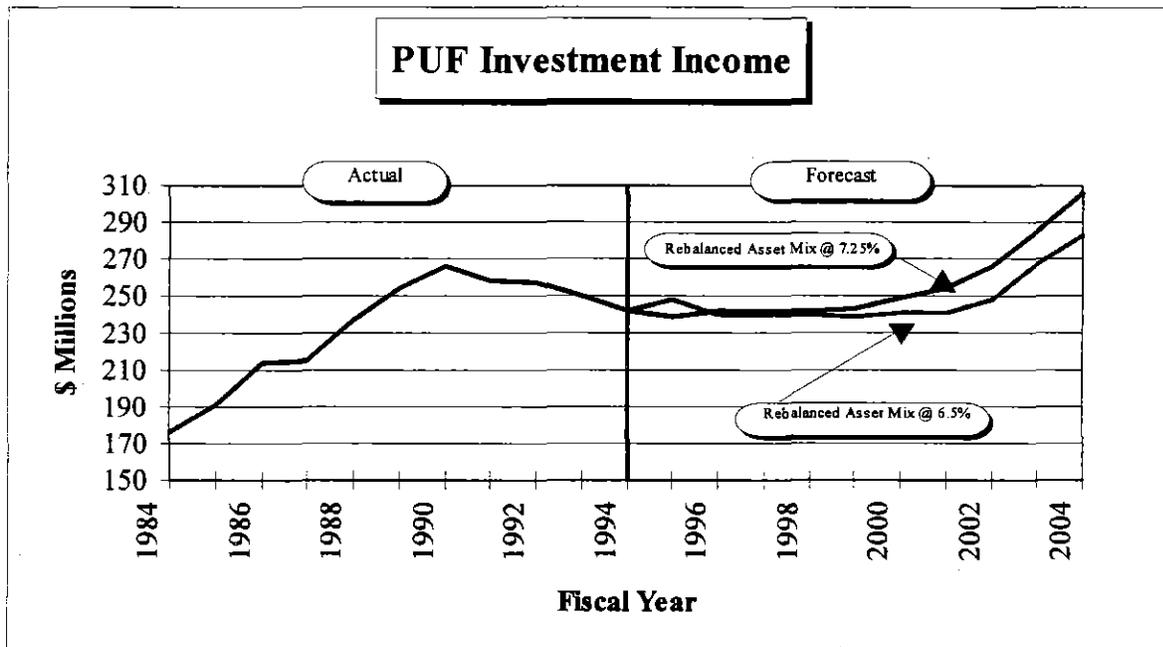
	<u>Range</u>	<u>Target</u>
Cash and Equivalents	0%-5%	0.0%
Fixed Income (U.S. Domestic)	20%-40%	30.0%
Equities		
U. S. Common Stocks:		
Med./Large Capitalization Stocks	35%-45%	40.0%
Small Capitalization Stocks	5%-15%	10.0%
International Common Stocks:		
Established Markets	<u>7.5% -12.5%</u>	<u>10.0%</u>
Total Equities	50% - 70%	60.0%
Alternative Assets:		
Mezzanine	2.0% - 3.0%	2.5%
Buy-outs/Special Equities	5.0% - 8.0%	6.5%

Venture Capital	<u>0.5%- 1.5%</u>	<u>1.0%</u>
Total Alternative Assets	7.5%- 12.5%	10.0%
TOTAL ASSETS		100.0%

Fund Distribution Policy

Rebalancing the PUF to achieve the long term target allocations listed above is constrained by the U. T. Board's desire to grow distributable investment income from current payout levels. Rebalancing the PUF to asset allocation targets over the next 10 years is projected to result in little income growth until such time as the equity allocation dominates (using 7.25% and 6.5% reinvestment rates) as shown below:

Exhibit 2



The Board recognizes that the high distribution rate for the PUF is generally incompatible with the primary objective of growing income at the rate of inflation because of the need to generate high income yields with fixed income securities.

Investment Return Objectives

Specific performance goals for the separate asset classes shall be as follows:

	Income Growth <u>vs. Inflation</u>	Income Growth <u>vs. Capital Market</u>
Cash Equivalents	C.P.I.	(1)
Fixed Income:	C.P.I.	Salomon Inv. Grade Bond Index
Equities	C.P.I.	S&P 500 Index
Alternative Assets	C.P.I.	S&P 500 Index

(1) Benchmark of asset class holding cash.

Income growth shall be the sole measurement criteria for the Fund. Price growth shall be incorporated into achievement of Fund objectives only to the extent that Fund portfolio managers convert it to income growth. Price growth on equity portfolios is expected as a normal part of equity investing since equity values are generally calculated as the present value of an expected dividend payout stream. No price growth from fixed income securities is expected due to the buy and hold investment strategy.

Achievement of these goals is most appropriately evaluated over a full market cycle of roughly five years.

Investment Guidelines

The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

General:

1. All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
2. Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
3. No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
4. No securities may be purchased on margin or leverage unless specifically authorized by the UTIMCO Board.
5. No transactions in short sales may be made unless specifically authorized by the UTIMCO Board.
6. Transactions in derivative instruments (other than those received as part of an investment unit) must be authorized by the chief investment officer and may occur only as part of a

hedging, asset allocation, or other program specifically authorized by the UTIMCO Board. For purposes of this policy, derivatives shall be defined as any instrument whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

Fixed Income:

1. Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
2. Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
3. Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
4. Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
5. The average quality of the fixed income portfolio shall be rated A1 using Moody's Investors Service, Inc. ratings or A+ using Standard & Poor's ratings. Fixed income securities (including preferred stocks) must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased unless approved by the chief investment officer. Unrated bonds or preferred stocks may be purchased prior to review by the UTIMCO Board if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of bonds or preferred stocks rated below Baa3 or BBB-, unrated bonds, and unrated preferred stocks which have been purchased but have not been reviewed by the UTIMCO Board may not exceed 1% of the book value of the Fund.

Equities:

1. No more than 5% of the voting securities of a corporation may be owned by the U. T. Board unless additional ownership is specifically authorized by the chief investment officer.
2. Portfolio managers transacting solely within their assigned assets:
 - shall hold no more than 25% of their managed portfolio in any one industry or industries (as defined by the chief investment officer) at cost unless the manager was retained to concentrate in an industry or industries.
 - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost unless authorized by the chief investment officer.
 - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset.

- shall hold equity securities, cash and cash equivalents. Cash and cash equivalents shall not exceed 10% of the market value of the entire portfolio unless approved by the chief investment officer. Any security which converts into an equity security shall be considered an equity security for the purposes of this restriction.

Securities Lending

The PUF may enter into a securities lending contract with a bank or non-bank security lending agent. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate. The securities lending program shall be evaluated from time to time as deemed necessary by UTIMCO. Monthly reports issued by the agent shall be reviewed by UTIMCO to insure compliance with contract provisions.

Performance Measurement

The investment performance of the Fund will be measured by UTIMCO based on Fund income and security values as reported by the custodian. Such measurement and comparison against benchmarks shall occur at least quarterly and shall evaluate the results of the total Fund, major asset classes, and individual portfolios.

Fund Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, or industry guidelines, whichever is applicable. Asset write-offs or write-downs shall be approved by the chief investment officer.

Valuation of Assets

The investment assets of the PUF shall be valued by the PUF's custodian at market value at the close of business as of the last business day of each calendar month in accordance with standard industry practices.

Reporting

As soon as reasonably available after the end of each fiscal quarter, UTIMCO shall deliver to the U. T. Board an investment report presenting activity and the performance of the PUF for the immediately preceding quarter.

Effective Date

The effective date of this policy shall be March 1, 1996.



Adopted 2/9/95

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
POLICY STATEMENT

Purpose

The Long Term Fund (the "LTF" or "Fund") shall be established by the Board of Regents of The University of Texas System (the "Board") as a pooled fund for the collective investment of private endowments and other long term funds supporting various programs of The University of Texas System. The LTF shall succeed the Common Trust Fund and provide investment management of underlying funds benefiting U. T. component institutions. The LTF shall also provide for greater diversification of investments than what might be possible if each account were managed separately.

LTF Organization

The LTF shall be organized as a mutual fund in which each eligible fund shall purchase and redeem Fund units as provided in this LTF Policy Statement. The ownership of LTF assets shall at all times be vested in the Board. Such assets shall be deemed to be held by the Board, as a fiduciary, regardless of the name in which the assets may be registered.

LTF Management

Fiduciary responsibility for the LTF rests with the Board. The LTF shall be governed through the University of Texas Investment Management Company ("UTIMCO") [~~Asset Management Committee (the "Committee")~~] which shall a) define long term investment objectives and risk tolerances for the LTF, b) develop investment policies consistent with LTF objectives, and c) monitor LTF performances against LTF objectives. UTIMCO [~~The Office of Asset Management~~] shall invest the LTF assets in conformity with this policy statement and employ an investment staff to support the chief investment officer in the management of the Fund.

Unaffiliated investment managers may be hired to improve the Fund's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

LTF Administration

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

Funds Eligible to Purchase LTF Units

No fund shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, by [ef] the Board and/or UTIMCO [~~officers of the U. T. System~~].

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

The funds of a foundation which is structured as a supporting organization described in Section 509(a) of the Internal Revenue Code of 1986 which supports the activities of the U. T.

Adopted 2/9/95

System and its component institutions, may purchase units in the LTF provided that:

1. the purchase of LTF units by foundation funds is approved by the chief investment officer,
2. all members of the foundation's governing board are also members of the Board,
3. the foundation has the same fiscal year as the LTF,
4. a contract between the Board and the foundation has been executed authorizing investment of foundation funds in the LTF, and,
5. no officer of such foundation, other than members of the Board, the Chancellor, the chief investment officer or his or her delegate shall have any control over the management of the LTF other than to request purchase and redemption of LTF units.

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF principal and distributions stream by maximizing inflation adjusted total return. Based on long term historical returns, the LTF shall attempt to earn an average annual total return of at least inflation plus 5.5% over rolling 5 and 10 year periods.

A secondary return objective is to outperform relevant capital markets. This objective recognizes that the LTF's long term objectives cannot be met solely by achieving a total return target equal to the rate of inflation. This secondary objective is especially relevant when capital market returns greatly exceed the rate of inflation. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation

Asset allocation is the primary determinant of investment performance and is the responsibility of UTIMCO [~~the Committee~~]. Asset allocation targets may be changed from time to time based on the economic and investment outlook.

In establishing asset allocation policy, UTIMCO [~~the Committee~~] shall recognize that the LTF's return/risk profile can be enhanced by diversifying the LTF's investments across different types of assets whose returns are not closely correlated. UTIMCO [~~The Committee~~] should seek to protect the LTF against both routine illiquidity in normal markets and extraordinary illiquidity during a period of extended deflation. The LTF should maintain adequate liquidity to support distributions and any redemptions.

LTF assets may be allocated to the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

1. Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but are less reliable in protecting the purchasing power of asset values in an inflationary economy. Cash equivalents provide good liquidity under both deflation and inflation conditions.
2. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of LTF income. Such bonds should be high quality, non-callable and intermediate to long term in order to ensure the generation of current income and preservation of nominal

capital.

3. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation of the LTF. Historically, returns for equities are higher than for bonds over all extended periods since 1929. As such, equities represent the best chance of preserving the purchasing power of the Fund.
4. Alternative Assets - generally consist of alternative marketable investments and alternative illiquid investments. The advantages of alternative investments is that they enhance long term returns through investment in inefficient, complex markets. They offer reduced endowment volatility through their low correlation characteristics. The disadvantages of this asset class are that they are illiquid, require higher and more complex fees, and are dependent on the quality of external managers and their due diligence efforts. In addition, they possess a limited return history versus traditional stocks and bonds. The risk of alternative investments shall be controlled with extensive due diligence and diversification over time and across funds.

Alternative Marketable Investments -

These investments are broadly defined to include absolute return funds (hedge funds), arbitrage and special situation funds, high yield bonds, distressed obligations and emerging markets whose underlying securities are traded on public exchanges. As such, they offer faster drawdown and earlier realization potential than alternative "illiquid" investments.

Alternative "Illiquid" Investments -

These investments are generally held through limited partnership interests. They include private equity and buyout funds, and venture capital interests that are privately held and which are not registered for sale on public exchanges.

5. Inflation Hedging Assets - This category includes oil and gas interests, real estate, commodities and other assets whose current incomes and principal values generally increase as inflation accelerates.

Asset Allocation Policy Targets

The long term asset allocation policy targets for the LTF shall be established and reviewed annually by the UTIMCO Board [~~Committee~~]. The long term asset allocation policy targets for the Fund shall be as follows:

	<u>Percentage</u>
Cash and Equivalents	0.0%
Equities	
U. S. Common Stocks:	
Med/Large Capitalization Stocks	25.0%
Small Capitalization Stocks	<u>10.0</u>
sub-total	35.0
International Common Stocks:	
Established Markets	12.0
Emerging Markets	<u>3.0</u>
sub-total	<u>15.0</u>
Total Common Stocks	50.0
Alternative Assets:	
Liquid	10.0
Illiquid	<u>10.0</u>
Total Alternative Assets	20.0

Inflation Hedging Assets	10.0
[Total Equities	80.0]
Fixed Income	
U. S. (Domestic)	15.0
International	5.0
Total Fixed Income	20.0
TOTAL ASSETS	100.0%

Investment Return Objectives

The overall long term performance goals (net of management fees) for the LTF are to earn an annualized total rate of return equal to:

- a) the annualized rate of inflation plus 5.5%, and
- b) the median return for the universe of the largest college and university endowments as calculated by Cambridge Associates.

Specific performance goals for the separate asset classes shall be as follows:

Equities

U. S. Common Stocks:

Med/Large Cap. Stocks	S&P 500 Index
Small Cap. Stocks	Wilshire Small Cap Index

International Common Stocks:

Established Markets	EAFE Index
Emerging Markets	IFC Investable Comp. Index

Alternative Assets:

Liquid	S&P 500 Index + 5.00%
Illiquid	S&P 500 Index + 5.00%

Inflation Hedging Assets

Cons. Price Index + 5.00%

Fixed Income:

U. S. (Domestic)	Sal. Broad Inv. Grade Bond Index
International	Morgan Non U. S. Bond Index

Achievement of these goals is most appropriately evaluated over a full market cycle of roughly five years.

Performance Measurement

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field or LTF's custodian bank, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines

The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

General:

1. All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
2. Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market

- instruments.
3. No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
 4. No securities may be purchased on margin or leverage unless specifically authorized by the UTIMCO Board [~~Asset Management Committee~~].
 5. No transactions in short sales may be made unless specifically authorized by the UTIMCO Board [~~Asset Management Committee~~].
 6. Transactions in derivative instruments (other than those received as part of an investment unit) must be authorized by the UTIMCO Board [~~Vice Chancellor for Asset Management~~] and may occur only as part of a hedging, asset allocation, or other program specifically authorized by the UTIMCO Chief Investment Officer [~~Asset Management Committee~~]. For purposes of this policy, derivatives shall be defined as any instrument whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

Fixed Income:

1. Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
2. Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
3. Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
4. Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
5. The average quality of the fixed income portfolio shall be rated A1 using Moody's Investors Service, Inc. ratings or A+ using Standard & Poor's ratings. Fixed income securities (including preferred stocks) must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased unless approved by the chief investment officer. Unrated bonds or preferred stocks may be purchased prior to review by the UTIMCO Board [~~Asset Management Committee~~] if, in the opinion of UTIMCO's [~~the System's~~] investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of bonds or preferred stocks rated below Baa3 or BBB-, unrated bonds, and unrated preferred stocks which have been purchased but have not been reviewed by the UTIMCO Board [~~Asset Management Committee~~] may not exceed 1% of the book value of the Fund.

Equities:

1. No more than 5% of the voting securities of a corporation may be owned by the Board unless additional ownership is specifically authorized by the chief investment officer.
2. Portfolio managers transacting solely within their assigned assets:
 - shall hold no more than 25% of their managed portfolio in any one industry or industries (as defined by the chief investment officer) at cost unless the

- manager was retained to concentrate in an industry or industries.
- shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost unless authorized by the chief investment officer.
 - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset.
 - shall hold equity securities, cash and cash equivalents. Cash and cash equivalents shall not exceed 10% of the market value of the entire portfolio unless approved by the chief investment officer. Any security which converts into an equity security shall be considered an equity security for the purposes of this restriction.

Fund Distributions

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

- a) provide a predictable, stable stream of distributions over time,
- b) ensure that the inflation adjusted value of distributions is maintained over the long term, and
- c) ensure that the inflation adjusted value of Fund assets is maintained over the long term.

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

Pursuant to the Uniform Management of Institutional Funds Act, a governing board may distribute for the uses and purposes for which the fund is established the net realized appreciation in the fair market value of the assets of an endowment fund over the historic dollar value of the fund to the extent prudent under the standard provided by the Act. In addition, income may be distributed for the purposes associated with the endowments/foundations.

UTIMCO [~~The Committee~~] shall be responsible for establishing the Fund's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise established by UTIMCO [~~the Committee~~] and approved by the Board or prohibited by the Act, fund distributions shall be based on the following criteria:

1. The annual payout rate of \$0.175 per unit shall remain in place until this per unit rate is less than or equal to a distribution percentage of 4.5% calculated as follows:
 - a) Using the most recent August 31st year end, determine an average market value using the 12 quarters including and previous to the year end selected.
 - b) Determine annualized distributions to the unitholders as of the August 31st date determined in 1. a) (August 31st distributions multiplied by 4)
 - c) Divide step b) by step a) to determine the distribution percentage. If this result is less than or equal to 4.5%, the distribution percentage and the equivalent per unit rate shall be established as provided in step 2. below.

2. Determine the per unit rate as follows:
 - a) Take the distribution percentage as established in step c) above and increase by the three-year annualized CPI calculated for the fiscal year established above in 1. a)
 - b) If this percentage as calculated in 2. a) is between 3.5% and 5.5% determine a per unit rate as follows:
Take the distribution percentage calculated in step 2. a) above and multiply by the average market value established in 1. a). Divide this result by the # of units at the end of the fiscal year used for these calculations to determine a per unit rate. This per unit rate shall be used in calculating distributions to the unitholders beginning with the fiscal year following the recommendation by the UTIMCO Board [Committee] and approved by the Board.
 - c) If the percentage in step 2. a) is not within the range of 3.5% and 5.5% a percentage shall be established by the UTIMCO Board [Committee] and step 2. b) shall be used in calculating the per unit rate.

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

Fund Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st.

Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, or industry guidelines, whichever is applicable.

Asset write-offs or write-downs shall be approved by the chief investment officer.

Valuation of Assets

On each last business day in November, February, May, and August of each fiscal year (the quarterly valuation date), UTIMCO [the Office of Asset Management] shall determine the fair market value of all Fund net assets and the net asset value per unit of the Fund. Such valuations shall be determined in accordance with an Asset Valuation Policy approved by the UTIMCO Chief Investment Officer [Vice Chancellor for Asset Management] and consistent with prevailing industry standards.

The fair market value of the Fund's net assets shall include all related receivables and payables of the Fund on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive. Valuations shall be given no effect on the general ledger and supporting ledgers of the U. T. System but shall be memorandum accounts only.

Reporting

As soon as reasonably available after the end of each fiscal year, UTIMCO [the Office of Asset Management] shall deliver to the UTIMCO Board [Committee] an investment report presenting activity and the performance of the LTF for the immediately preceding quarter.

Purchase of LTF Units

Purchase of Fund units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first working day subsequent thereto) upon payment of cash to the Fund or contribution of assets approved by the chief investment officer, at the net asset value per unit of the Fund as of the purchase date.

In order to permit complete investment of funds and to avoid fractional units, any purchase amount will be assigned a whole number of units in the Fund based on the appropriate per unit value of the Fund. Any fractional amount of purchase funds which exceeds the market value of the units assigned will be transferred to the Fund but no units shall be issued. Each fund whose monies are invested in the Fund shall own an undivided interest in the Fund in the proportion that the number of units invested therein bears to the total number of all units comprising the Fund.

Redemption of LTF Units

Redemption of Units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than \$10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$10 million, advance notice of five business days shall be required prior to the quarterly valuation date. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: Withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred, if determinable. If the error date is indeterminable, the average cost per unit of the withdrawing unitholder shall be used to determine the number of units to withdraw. This provision does not apply to transfer of units between endowment unitholders.

Securities Lending

The LTF may enter into a securities lending contract with a bank or nonbank security lending agent. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate. The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board [~~Committee~~]. Monthly reports issued by the agent shall be reviewed by UTIMCO [~~the Office of Asset Management~~] to insure compliance with contract provisions.

Segregation of Investments

If any investment contained in the LTF shall be subsequently determined by the UTIMCO Board [~~of Regents~~] to be an ineligible investment, such investment may, prior to any further admissions to or withdrawals from such Fund, at the discretion of the chief investment officer, be sold or segregated and set apart in a liquidating account solely for the benefit of Fund unitholders at the time of such segregation. Each such liquidating account shall be administered in such manner and the proceeds thereof distributed at such time or times as the chief investment officer deems to be in the best interests of Fund unitholders.

Investor Responsibility

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

Conflicts of Interest

Members of the Board and the UTIMCO Board [~~Investment Advisory Committee~~] are frequently persons of wide-ranging business

interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the UTIMCO Board [~~Investment Advisory Committee~~] is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The Fund may invest in such securities provided that:

1. A member of the Board or the UTIMCO Board [~~Investment Advisory Committee~~]:
 - a) shall disclose any conflict of interest with respect to a proposed investment or selection of a vendor
 - b) shall not participate in the discussion of an investment or vendor selection involving a conflict of interest
 - c) shall not vote on any issue involving a conflict of interest.
2. Investments will not be purchased from or sold to a member of the Board or the UTIMCO Board [~~Investment Advisory Committee~~].
3. All staff members of UTIMCO [~~the Office of Asset Management~~] with discretionary authority to purchase securities or otherwise expend Fund assets shall comply with UTIMCO [~~S. T. System~~] ethics and standards of conduct policies.

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be March 1, 1996 [~~February 9, 1995~~].



Adopted 10/13/89
Amended 12/03/92
Amended 8/12/93
Amended 6/09/94

THE UNIVERSITY OF TEXAS SYSTEM
OPERATING FUNDS INVESTMENT POLICY

SCOPE

This investment policy statement shall govern the investment of institutional funds, as defined by Sections 51.008 and 51.009 of the Texas Education Code, under the control of The University of Texas System and its component institutions, excluding the following funds:

- a. Endowment funds and funds functioning as endowments, trust funds, and agency funds administered by UTIMCO [~~the Office of Asset Management~~]
- b. Medical Liability Self-Insurance Fund authorized by Chapter 59 of the Texas Education Code administered by UTIMCO [~~the Office of Asset Management~~]
- c. Investment income related to endowment funds and funds functioning as endowments, trust funds, agency funds and the self-insurance fund in b. above as long as such income remains administered by UTIMCO [~~the Office of Asset Management~~].

Funds governed by this investment policy statement shall hereinafter be referred to as "operating funds". Nothing in this investment policy statement shall be construed to limit the holding, management, or sale of non-cash gifts or bequests by The University of Texas System and its component institutions.

BACKGROUND

The investment of operating funds under the control of component institutions of The University of Texas System is governed by the following statutes:

- a. Section 51.0031 of the Texas Education Code, and
- b. The Public Funds Investment Act of 1987 (Article 842a-2, Texas Revised Civil Statutes Annotated), as amended.

This policy is written in compliance with Section 5 of the Public Funds Investment Act of 1987 which requires that investments be made in accordance with written policies approved by the governing body of an institution of higher education.

INVESTMENT OBJECTIVE

The primary objective of the operating funds investment program is to generate a high rate of income and secondly to produce capital appreciation when consistent with the reasonable preservation of principal and the maintenance of adequate liquidity. Within the exposure limits contained herein, investments shall be diversified among authorized investment categories and issuers in order to minimize portfolio risk for a given level of expected return. Volatility of interest

rates is expected, and therefore, periodic maturities of portions of each portfolio afford opportunities to restructure portfolios through yield and maturity adjustment.

INVESTMENT GUIDELINES

Investment restrictions include the following:

1. All investments must be U. S. dollar denominated.
2. Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2), or Standard & Poor's Corporation (A1 or A2).
3. Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
4. Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
5. Repurchase Agreements and Reverse Repurchase Agreements shall conform to the Repurchase Agreement Investment Guidelines as approved by the Operating Fund Advisory Board.
6. All investments in bonds or other evidence of indebtedness shall be issued by or guaranteed by the U. S. government or U. S. government agencies or instrumentalities except for the securities listed in restrictions 2, 3, 4, and 5 above.
7. No preferred or common stocks or other ownership interests or securities convertible into ownership interests may be purchased.
8. No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
9. No securities may be purchased on margin or leverage.
10. No transactions in short sales will be made.
11. Transactions in derivative instruments (other than those received as part of an investment unit) must be authorized by the UTIMCO Chief Investment Officer [~~Vice Chancellor for Asset Management~~] and may occur only as part of a hedging, asset allocation, or other program authorized by the UTIMCO Board [~~Operating Funds Advisory Board and Asset Management Committee~~]. For purposes of this policy, derivatives shall be defined as any instrument whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.
12. Any unaffiliated liquid investment fund must be reviewed and approved by the UTIMCO Chief Investment Officer [~~Vice Chancellor for Asset Management and the Fund Advisory Board~~] prior to investment of Fund monies in such liquid investment fund.

BIDS

Investments in bank common trust funds may be made only after oral or written competitive bids have been solicited from at least three banks located within Texas. Investments in bank and S&L certificates of deposits may be made after electronic, oral or written bids have been solicited.

INVESTMENT MANAGEMENT

Overall fiduciary responsibility for the investment of operating funds resides with the U. T. Board of Regents. U. T. System component institutions shall be responsible for the allocation of investments between eligible money market funds, collateralized bank and S&L certificates of deposit and the Operating Funds Short/Intermediate Term Fund ("the Fund") subject to prescribed limits for each U. T. System component institution. The Fund shall be managed per the terms of the Fund Information Memorandum and ~~[governed by a nine member Advisory Board ("Operating Fund Advisory Board") consisting of representatives from U. T. System component institutions and System Administration.]~~ UTIMCO ~~[The Operating Fund Advisory Board]~~ shall approve investment policy, selection and evaluation of the Fund investment manager and other Fund agents and annual Fund budgets. Fund portfolio management shall be the responsibility of UTIMCO ~~[the Office of Fixed Income Investments]~~ for an initial period of five years from the creation of the Fund. The Fund shall be administered on a day-to-day basis by UTIMCO ~~[the Office of Asset Management]~~.

REPORTING

Component business officers shall be responsible for transmitting all necessary information to UTIMCO ~~[the Office of Asset Management]~~ in order to permit periodic reporting by UTIMCO ~~[System Administration]~~ to the Board concerning portfolio balances and yields for individual components and for the U. T. System as a whole.

STANDARD OF CARE

Investments should be made with judgement and care, under circumstances then prevailing, that persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

EFFECTIVE DATE

This policy shall be effective March 1, 1996 ~~[concurrent with the establishment of the Fund]~~ and shall remain in effect until amended or revoked by the U. T. Board of Regents.

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Adopted 12/3/92
Amended 8/12/93

THE UNIVERSITY OF TEXAS SYSTEM
OPERATING FUNDS SHORT/INTERMEDIATE TERM FUND
INFORMATION MEMORANDUM

This Information Memorandum sets forth the terms governing the operation of the Fund.

PURPOSE

The purpose of the Fund is to provide a short/intermediate term pooled investment fund for operating funds currently held by U. T. System component institutions and System Administration.

BENEFITS

The Fund will provide convenient access to the yields and economies of scale generally associated with a pooled investment fund. Participation in the Fund by unitholders is expected to eliminate the investing, administrative and accounting burdens commonly incurred with direct ownership of securities. The benefits to unitholders are: (a) concentration of investment decisions with a single investment professional, (b) reduction in System-wide overhead costs associated with maintaining numerous investment managers at the component level, (c) elimination or reduction of fees for an external money market fund, (d) reduced minimum liquidity balances System-wide, (e) reduced overall administrative costs, (f) improved integration of component institution cash management systems with investment operations, (g) increased investment income through reverse repurchase agreements, and (h) improved interest rate risk management.

INVESTMENT GUIDELINES

The Fund shall be invested in accordance with The University of Texas System Operating Funds Investment Policy.

INVESTMENT OBJECTIVES

The Fund seeks primarily to provide a high rate of income through investment in high grade fixed income obligations. In addition, the Fund shall seek capital appreciation when consistent with this primary objective, the reasonable preservation of capital and the maintenance of adequate Fund liquidity. In seeking to achieve its investment objectives the Fund shall attempt to minimize the probability of a negative total return over a 1-year period.

PERFORMANCE BENCHMARK

Attainment of Fund investment objectives shall be defined as the achievement over an interest rate cycle (i.e. 5 years) of a total return in excess of the Fund's performance benchmark.

No single index represents the Fund's portfolio composition as permitted under the Operating Funds Investment Policy or the Fund's liquidity requirements. A combination of indices weighted as follows shall comprise the Fund's normal performance benchmark:

- 10% Merrill Lynch U. S. Treasury 6 month Bill Index
- 10% Merrill Lynch U. S. 91-day Treasury Bill Index
- 30% Merrill Lynch U. S. Treasury 1-3 year Index
- 30% Merrill Lynch Federal Agencies 1-3 year Index
- 10% Merrill Lynch U. S. Treasury 3-5 year Index
- 10% Merrill Lynch Federal Agencies 3-5 year Index

This performance benchmark is believed to represent how the Fund should "normally" look in terms of risk, composition by securities, duration, and other factors governed by the Investment Policy. It also is believed to embody the trade-offs between risk and return or between the total return and yield objectives established for the Fund. The performance benchmark may be revised by the Fund Advisory Board if deemed appropriate. During the estimated 2-year phased buy-in period, the performance benchmark weightings shall be adjusted [~~with approval by the Fund Advisory Board~~] to reflect the higher levels of liquidity.

FUND STRUCTURE

Two investment funds shall be available to U. T. System unitholders:

(a) A Money Market Fund - this fund shall provide unitholders with overnight liquidity and shall be valued at a constant unit value. [~~The Goldman Sachs money market fund shall remain in place for an initial six month period. During this period, the Fund shall be evaluated by the Fund Advisory Board to determine whether it should be managed internally or continue under outside management.~~]

(b) The Short/Intermediate Term Fund - the Fund shall invest in a portfolio of securities with term maturities up to 5 years. It shall accept purchases and redemptions on a weekly basis and on the first business day of each month or on such other dates as determined by UTIMCO[~~the Fund Advisory Board~~]. Fund units shall be valued on a market value basis.

FUND MANAGEMENT

~~[Fund Advisory Board~~

~~The Fund shall be governed by a nine member Advisory Board consisting of representatives from U. T. System component institutions and System Administration. The six standing members of the Advisory Board shall include representatives from U. T. M.D. Anderson Cancer Center, U. T. Medical Branch—Galveston, U. T. Southwestern Medical Center—Dallas, U. T. Austin, U. T. System Office of Business Affairs, and U. T. System Office of Asset Management. The representative from the Office of Asset Management shall be the Vice Chancellor for Asset Management who shall also serve as Chairman. Component institutions without standing representation shall elect three representatives. Initial rotating members shall consist of representatives from U. T. Health Science Center—Houston, U. T. Health Science Center—San Antonio, and U. T. Arlington and shall serve terms of three years, two years and one year, respectively. Rotating members shall serve two year terms ending August 31 of each applicable year.]~~

~~UTIMCO~~ [The Board shall meet quarterly to review the Fund's operations and shall provide advice to the Fund Administrator. ~~The Advisory Board~~] shall approve Fund investment policy, selection of the Investment Manager and other agents of the Fund, Fund Investment Memorandum and the Fund annual budget. UTIMCO [The ~~Advisory Board~~] shall also review and evaluate Investment Manager performance. Approval shall be evidenced by a majority vote of at least five members present at any meeting. [As a general rule, ~~the Fund Advisory Board shall approve in advance all items requiring Regental approval.~~]

Fund Administrator

The Fund Administrator shall be responsible for the overall administration of the Fund's operations. Such administrative responsibilities shall include the recommendation of investment policy, negotiation and supervision of the Investment Manager, custodian and Transfer Agent, dividend distribution, investor servicing, accounting and other services provided to the Fund, preparation and distribution of the Fund Investment Memorandum, coordination of and reporting to component institutions [Advisory Board] and the U. T. Board of Regents, preparation of Fund budgets, ongoing review of expenses, verification of Fund collections and disbursements, review of investment legislation, and general supervision of all aspects of the Fund's operations.

UTIMCO [The U. T. System Office of Asset Management] shall serve as Fund Administrator.

Fund Investment Manager

The Investment Manager shall be responsible for the formulation of portfolio strategy and direction, execution of portfolio transactions, and compliance with

investment policy guidelines. The Investment Manager will have complete discretion in the investment and management of the Fund's assets in accordance with the Fund's investment objectives and policies and subject to the general supervision and direction by the Fund Administrator.

~~UTIMCO [The U. T. System Office of Fixed Income Investments]~~ shall serve as Fund Investment Manager, ~~[for an initial five year period. Extension of this term shall be subject to a performance evaluation by the Fund Advisory Board.]~~

Fund Custodian and Transfer Agent

The Fund Custodian and Transfer Agent shall be a bank. Its responsibilities shall include the following: safekeeping of portfolio cash and securities, processing securities transactions including securities release, receipt and delivery, the collection of income from portfolio securities, payment of fund expenses, income and market value accounting, reconciliation of general ledgers and financial statements, processing unitholder purchase and redemption transactions, pricing of securities and calculation of net asset value per unit, maintenance of unitholder accounts and records, processing payout options, account designations and addresses, monitoring the reinvestment of distributions, and providing periodic account statements to unitholders.

FUND INVESTMENT STRATEGY

The Fund shall employ a hybrid "active" buy and hold strategy in order to achieve its primary objective of a high rate of income and its secondary objective of capital appreciation. Subject to its primary objective of generating a high rate of income, the Fund Investment Manager shall seek to increase expected returns by purchasing or selling securities in anticipation of changes in interest rates or sector spread relationships.

The Fund shall also attempt to control interest rate risk by monitoring the duration of the portfolio and thereby minimize exposure to unexpected changes in interest rates.

FUND PORTFOLIO MATURITY

The Fund's normal dollar weighted average portfolio maturity may range from 1 year to 4 years depending on the Investment Manager's judgement of current or anticipated market conditions. Based on the Investment Manager's assessment of interest rate trends, generally, the average maturity will be shortened when interest rates are expected to rise and lengthened when interest rates are expected to decline.

The range may be extended from 1 day to 5 years in the event of extreme changes in interest rate expectations and only upon the written approval of the UTIMCO Chief Investment Officer ~~[Vice-Chancellor for Asset Management]~~.

The Fund's investments may include mortgage-backed pass-through securities or Real Estate Mortgage Investment Conduits (REMICs) which are issued by various U. S. Government agencies or instrumentalities. Such securities will have an estimated average life of five years or less as determined by the Investment Manager. Average life estimates will be based upon anticipated prepayment patterns which, in turn, will be based on past prepayment patterns, prevailing interest rates, and other factors. Due to actual prepayment experience, however, the remaining estimated average life of such an investment after purchase by the Fund may increase to more than five years or may decrease at a rate faster than anticipated. The Fund's other securities will have remaining maturities of 5 years or less and repurchase agreements will have remaining maturities of less than one year.

The Fund may purchase securities with variable or floating interest rates. In calculating average portfolio duration or maturity, such securities will generally be treated as having a maturity equal to the time remaining until their interest rate is next reset, unless the Investment Manager believes some other treatment to be more appropriate, for example, because of the market price impact of interest rate caps and floors. In addition, the Fund also may purchase securities that have demand or put features. In calculating average portfolio duration or maturity, these securities generally will be treated as having a maturity equal to the period remaining until the Fund can obtain the principal amount through exercise of such feature.

ACCOUNTING POLICIES AND PROCEDURES

The Fund shall be accounted for using the market value method as prescribed by the NACUBO Financial Accounting and Reporting Manual for Higher Education, Paragraph 402.2 Principles of Accounting for Investment Pools. The procedures adopted shall ensure proper accounting for the unitholder's principal and market changes and the proper crediting of income earned. This shall be accomplished by unitizing the investment pool.

Under this procedure, each unitholder shall receive "units" in the pool when it contributes funds to the Fund. The number of units assigned to the unitholder shall be the dollar value of the funds contributed divided by the market value per unit at the close of the business day next preceding the date of purchase. When funds are withdrawn from the pool, withdrawals shall be valued at the unit market value of the pool at the close of business day preceding withdrawal.

The withdrawal of funds from the Fund by unitholders under the market value method shall create either realized gains and losses equal to the unit market value at the time of withdrawal less the unit average cost value. Unitholders shall credit/debit such gains and losses first to an earnings reserve account and secondly to an income account prior to allocating income to the fund groups underlying unitholders' Fund accounts.

INITIAL PURCHASE OF UNITS

In order to minimize the effects of "yield blending," Fund investors may elect to invest proceeds from existing direct investments into the Fund no later than the earlier of the date of sale or maturity of such investments. Purchases of Fund units shall occur at the market unit value of the Fund as of the close of the business day preceding purchase.

REVERSE REPURCHASE AGREEMENTS

As a means of generating additional income and Fund liquidity, the Fund may lend up to 33 1/3% of its assets in reverse repurchase agreements, which are agreements pursuant to which securities are sold to a third party (banks, brokers and dealers) with the understanding that the Fund will repurchase the securities from the third party at a fixed price. The Fund will receive cash in an amount equal to at least 100% of the current value of the securities plus accrued interest. The Fund will continue to receive interest payable on the securities and will receive as income a portion of the interest on the investment of any cash proceeds. The terms of such reverse repurchase agreements will provide for termination at any time. Reverse repurchase agreements involve risks of nonperformance by the purchaser on its commitment to resell the securities back to the Fund.

Reverse repurchase contracts shall be approved by UTIMCO [~~the Fund Advisory Board~~].

REPORTS TO UNITHOLDERS

Each unitholder shall be provided with transaction information and an individual monthly and annual statement.

FUND EXPENSES

Each unitholder shall be assessed a fee to reimburse the Fund for its operating expenses. Such operating expenses may include investment management, custodian, transfer and dividend disbursing services, preparation and maintenance of books and records of the Fund, outside legal and auditors, charges and expenses of acquiring and disposing of portfolio securities, preparation and furnishing of reports, research and all direct and indirect costs to operate the Fund. Such fee shall be reviewed and approved annually by the Board of Regents [~~Advisory Board to the Fund~~]. Any fees paid to the Fund in excess of actual Fund operating expenses shall be credited at the end of each fiscal year to unitholders in proportion to average units assets held by each unitholder during the year then ended. Such credit, if any, shall be included in the calculation of Fund performance.

**STATEMENT REGARDING INVESTMENT RESTRICTIONS ON
DERIVATIVE SECURITIES**

Further to the investment restrictions placed on derivatives in the Short/Intermediate Term Fund Investment Policy, the following categories of U.S. Agency and mortgage-backed securities shall constitute inappropriate securities for inclusion in the S/ITF portfolio:

- **Inverse Floaters**
Securities with adjustable coupons which move in the opposite direction of an index, such as the London Interbank Offering Rate (LIBOR) or Cost of Funds Index (COFI).
- **Non Money Market Based Floaters**
Securities with adjustable coupons tied to an interest rate index with a maturity longer than one year
- **Interest Only (IO) Mortgage Securities**
Mortgage-backed instruments created to pay only the interest cash flows and little to no principal, subjecting the entire investment to repayment risk.
- **Principal Only (PO) Mortgage Securities**
Mortgage-backed instruments created to pay only the principal cash flows and no interest subjecting the yield and maturity date to prepayment risk.
- **Non Dollar Rate Based Floaters**
Securities with adjustable coupons tied to a non-U.S. interest rate index such as the Euro-Mark, Euro-Yen or Euro-Sterling rates.
- **Range Notes or Floaters**
Securities with fixed or variable coupons which accrue interest only if an interest rate index is between two pre-designated levels during the coupon period.



Adopted 12/90
Amended 2/95

The University of Texas System
Private [Placement] Investment Policy Statement

I. PURPOSE

The purpose of this policy is to orient and limit U. T. private [placement] investments to business situations with a high probability of excellent returns over time, but without avoidable risks or risks out of proportion to expected returns. Good communication and flexibility are desired results from implementation of this policy.

This policy shall govern the use of private investments [placements] in all funds under the supervision of the Board of Regents.

II. INVESTMENT OBJECTIVES

The primary investment objective of the private [placement] investment portfolio is long-term capital appreciation in excess of the return expected from publicly traded stocks. The portfolio's target annual rate of return shall be described in the PUF and LTF investment policies [~~is 15%, evaluated on a long-term basis~~]. Equity investments or their equivalent will be emphasized to accelerate growth of capital and maximize the private [placement] investment portfolio's potential as an inflation hedge.

A second investment objective of the private [placement] investment portfolio is to provide a means of prudent diversification of the total fund, recognizing both the absolute growth of private investment in a global economy as well as the inherently greater balance afforded over funds limited to publicly traded securities.

III. INVESTMENT APPROVAL AND MANAGEMENT

The Office of Private Investments, under procedures established by the President of UTIMCO [~~Vice Chancellor for Asset Management~~], is responsible for the selection, investigation, due diligence, negotiation, closing, and monitoring of each private investment.

The Office of Private Investments shall conduct a thorough written evaluation of each specific investment proposal selected for review. Upon the unanimous approval of the Office of Private Investments portfolio managers, the proposed transaction, its risk and return characteristics, and structure will be recommended to the President of UTIMCO [~~Vice Chancellor for Asset Management~~] who will independently approve or reject the portfolio managers' investment recommendation, after considering fully all relevant information available. In the event that the President of UTIMCO [~~Vice Chancellor for Asset Management~~] approves the portfolio managers' recommendation to invest in a proposed transaction, he or she shall present the investment recommendation for approval in accordance with procedures established by the UTIMCO Board [~~by a majority of the Asset Management Committee~~]. Such a [A]pproval [~~by the Asset Management Committee~~] shall constitute sufficient authority for UTIMCO [~~the Office of Asset Management~~] to enter into the proposed transaction subject to any further [Board] approvals required at the time.

At least once a quarter, the President of UTIMCO [~~Vice Chancellor for Asset Management~~] shall issue a report to the UTIMCO Board [~~Asset Management Committee~~] which summarizes the activity of the private investment portfolios for each fund so invested. Said report shall include new commitments, portfolio cash flows, unfunded commitments, and performance for the immediately preceding quarter and portfolio values and asset allocation as of the end of the immediately preceding quarter.

IV. INVESTMENT PORTFOLIO LIMITS

The funded and outstanding private [~~placement~~] investment portfolio [~~(+at cost)~~] may not exceed the allocation ranges for private investments as provided in the PUF and LTF investment policies [~~10% of the book value of fund groups authorized to use this class of investment without prior approval of the Board of Regents~~].

~~[Funded private placement investments plus unfunded commitments to partnership/fund type investments may exceed the 10% cap due to the multi year investment cycle generally associated with partnerships. The absolute level of unfunded commitments shall be reviewed quarterly with the Asset Management Committee.]~~

~~New investment commitments irrespective of type are limited to 25% of the funded portfolio cap in any fiscal year without prior approval of the Asset Management Committee. The Board of Regents in establishing this limit, recognize both the opportunity driven nature of private placement investments as well as the prudence associated with a relatively stable and manageable influx of new investments over time.]~~

The maximum investment in any one entity shall not exceed 10% of fund commitments [~~the funded investment cap~~].

V. INVESTMENT GUIDELINES

All investment decisions shall be made in compliance with the "prudent person standard." Portfolio investments shall be based upon the projected ability of the underlying business or project to create incremental value through the expansion or improved efficiency of operations or by the development and production of natural resources. Investments may be used to finance capital expenditures and working capital at any stage of a company's growth and/or to effect a change of control.

Investments with the following risk characteristics shall be avoided.

- a. Financial risk associated with highly leveraged transactions where the business is closely tied to either the economy or a specific industry cycle, securities denominated in soft currencies, fluctuating interest rates, commodity prices, or exchange rates.
- b. Operating risk associated with a single product or patent, extreme reliance on an individual in management, dominant suppliers or customers, or low barriers to entry.
- c. Regulatory risk associated with regulated industries subject to politicization of rate setting, base service decisions, or where success is highly dependent on continued access to public resources or

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Investments with the following risk characteristics shall be avoided.

- a. Financial risk associated with highly leveraged transactions where the business is closely tied to either the economy or a specific industry cycle, securities denominated in soft currencies, fluctuating interest rates, commodity prices, or exchange rates.
- b. Operating risk associated with a single product or patent, extreme reliance on an individual in management, dominant suppliers or customers, or low barriers to entry.
- c. Regulatory risk associated with regulated industries subject to politicization of rate setting, base service decisions, or where success is highly dependent on continued access to public resources or

favorable tax policy.

- d. Environmental risk associated with products or manufacturing processes deemed unusually hazardous to the environment.

Additional prohibitions shall include:

- 1) Participation in hostile takeovers
- 2) Start-ups or early stage companies involved in high technology product lines, unless made through a properly structured venture capital partnership/fund or via coinvestment with such an organization.
- 3) Equity ownership in entities in bankruptcy

The private investment [~~placement~~] portfolios shall minimize ownership of securities and participation in other activities that would cause the income attributable to these investments to be classified as unrelated business taxable income.

Waiver of any of these guidelines requires the approval of the UTIMCO Board [~~Asset Management Committee~~].

VI. INVESTMENT MANAGEMENT FIRMS/PARTNERSHIPS

The private investment [~~placement~~] portfolios may be invested in any authorized area through management contracts with unaffiliated organizations possessing specialized investment skills. Such investment may be in the form of interests in limited partnerships, trusts, joint ventures, etc., where principals of the management firms have investment discretion. The principals of such firms shall have a demonstrated record of accomplishment and performance in the area of investment being undertaken and shall be required to invest on the same terms as the participating investors. Management fees and performance compensation payable under such contracts shall not exceed prevailing norms at the time of negotiation.

Private [~~placement~~] investments may include coinvestment directly in transactions sponsored and invested in by a management firm/partnership in which UTIMCO [~~U. T.~~] is already an investor.

VII. BOARD REPRESENTATION

The Board of Regents recognizes that private [~~placement~~] investments frequently result in ownership of an interest in a company sufficient to warrant joining the board of directors to monitor and participate in oversight of the company. The decision to accept a board seat shall be the responsibility of the UTIMCO Board [~~Asset Management Committee~~].

VIII. PRIVATE INVESTMENT [~~PLACEMENT~~] PORTFOLIO VALUATION

The valuation of the private [~~placement~~] investments is an important ongoing yet inherently subjective process. To avoid unwarranted fluctuations and to assure a consistent methodology, all valuations will adhere to the process established and approved in Attachment A. U. T. Private Investment [~~Placement~~] Valuation Criteria.

Attachment A

U. T. Private Investment [Placement]
Valuation Criteria

To Change Market Value in Published Financial Reports

The methodology used to evaluate private [placement] investments is by nature subjective and must be thoughtfully and conservatively administered. All valuation decisions are subject to concurrence by the President of UTIMCO [Vice-Chancellor for Asset Management]. Valuation will generally occur on a quarterly [an annual] basis [except for public securities (quarterly) and partnerships (upon receipt of partner valuation)].

Direct Investments

- a. Publicly traded stocks and bonds with no restrictions
 - ° @ last bid price or market closing price. Restricted public stock values in excess of cost shall be reduced by 25%.
- b. Non-public stocks and bonds
 - ° @ last price paid in a new round of financing (requiring at least one new investor to confirm value ascribed).
 - [~~° @ a subjective but responsible multiple of operating cash flow, less funded debt and less minority interest. (Valuation increase shall be reduced by 25%.)~~]
- c. Oil and gas reserves at net book value [~~amortized cost~~]
- d. Real estate at last appraised value

Partnership Investments

- a. Partnership capital account [~~General partner valuation less 25% of value increase~~]
- b. Oil and gas reserves at amortized cost

Other

Control blocks of marketable stock held by U. T. or in conjunction with other investors may have value beyond market quotes.

Write Down - Book & Market Value

Investments of no discernible value or burdened with formidable business problems with little potential for success shall be written down to \$1 upon such a determination.



Exhibit F

EQUIPMENTS

UTIMCO INVENTORY								
(Items in bold correspond to Acct. Services Inventory)								
#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
4			1.2.00	CALCULATOR-ROYAL 480pd		125.00		OAM
4	334033		1.2.00	DICTATING MACHINE, SONY 12928	702.23			
4	600476	40900106	1.2.00	FAX MACHINE 3500L RICOH	2,444.00			OAM
4	488338		1.2.00	KODAK EKTAGRAPHIC W/ZOOM LENS	624.00			
4	410923		1.2.00	TYPEWRITER-IBM SELECTRIC	661.50			OAM
4			1.2.12	CACULATOR - SHARP CS 2164F		109.95	est. - G&L 257	OAM - Wallace
4			1.2.12	COFFEE POT		60.95	G&L 629	OAM - Wallace
4			1.2.16	MECHANICAL PROJ. SCREEN (in ceiling)				OAM - 1st floor Conf.Room
4			2.1.00	CALCULATOR - ROYAL 480PD		109.95	est. - G&L 257	OEA-(Vacant-reception area)
4			2.1.06	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA-White
4	476250		2.1.06	PHOTOCOPIER, SHARP SF-7320	910.00			OEA-White
4	393002		2.1.06	TYPEWRITER, IBM SELECTRIC I	718.20			OEA-White
4			2.1.08	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA-Woodard
4			2.1.10	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA-Hill
4			2.1.12	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA-Smith
4			2.1.14	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA-Moeller
4	606842		2.1.16	DUKANE OVERHEAD PROJECTOR	710.00			OEA-Storeroom
4			2.1.22	CALCULATOR - OLIVETTI		109.95	est. - G&L 257	OEA - Childers
4			2.1.24	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA - Wheless
4			2.1.30	CALCULATOR - ROYAL		109.95	est. - G&L 257	OEA - Read
4			2.1.32	CALCULATOR - HERMES		109.95	est. - G&L 257	OEA - Kirby
4	440621		2.2.02	COPIER, XEROX 1090	1,041.19			OEA - Copy Room
4	440621		2.2.02	COPIER, XEROX MDL 1090	54,675.40			OEA - Copy Room
4	426444		2.2.02	XEROX 1050 COPIER W/RECIRCU	18,609.00			OEA - Copy Room
4			2.2.02	CLOCK		20.00	G&L 343	OEA - Copy Room
4			2.2.02	CALCULATOR - VICTOR		109.95	est. - G&L 257	OEA - Copy Room
4			2.2.02	ELECTRIC PENCIL SHARPENER		37.95	G&L 840	OEA - Copy Room
4			2.2.02	MAIL SCALE		20.00	G&L 835	OEA - Copy Room
4			2.2.02	PAPER CUTTER		99.95	G&L 914	OEA - Copy Room
4			2.2.02	PAPER CUTTER		99.95	G&L 914	OEA - Copy Room
4			2.2.02	TIME CLOCK		200.00	G&L 341	
4			2.2.02	TIME CLOCK		200.00	G&L 341	
4	365651		2.2.08	TYPEWRITER, ELECTRIC IBM SE	876.00			OEA - Fax Room
4	407918		2.2.12	TYPEWRITER, ELECTRIC IBM	760.00			OEA - Storeroom
4	387249		2.2.12	TYPEWRITER, IBM ELECTRIC	846.00			Surplus 7/29/95 (J. Benner)
4	Outside		2.2.14	ICEMAKER - MARVEL		750.00	est.	OEA hallway

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
4			2.2.18	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA -K. Rebold
4			2.2.20	CALCULATOR - ROYAL		109.95	est. - G&L 257	OEA -T. Gonzales
4			2.2.20	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA -J. Byrd
4			2.2.20	CALCULATOR - SHARP		109.95	est. - G&L 257	OEA -S. Meyers
4			2.2.22	CALCULATOR - ROYAL		109.95	est. - G&L 257	
4			2.2.22	CALCULATOR - ROYAL		109.95	est. - G&L 257	
4	600724		2.2.22	FAX MACHINE		2,000.00	est. - OER/OE&T	OEA Treasury Ops
4			2.3.02	CALCULATOR - SHARP		109.95	est. - G&L 257	OEII - G. Baker
4			2.3.02	CALCULATOR - SHARP		109.95	est. - G&L 257	OLCGI - B. Seifis
4	431395		2.3.02	LETTER OPENER - AUTOMATIC	631.25			OEII/OLCGI
4	469499		2.3.02	TRANSCEIVER, FACSIMILE, CAN	1,968.20			OEII/OLCGI
4	385583		2.3.26	TYPEWRITER, IBM ELECTRIC	846.00			OLCGI - Trading Room
4	407921		2.3.26	ZENITH TV				OLCGI - Trading Room
4	No#		2.3.26	ZENITH VCR				OLCGI - Trading Room
4			2.4.04	CALCULATOR - SHARP		109.95	est. - G&L 257	OFII - D. Watson
4			2.4.06	ELECTRIC PENCIL SHARPENER		37.95	G&L 840	OFII - Trading Room
4			2.4.10	CALCULATOR - HERMES		109.95	est. - G&L 257	OFII - Vacant
4	349186		2.4.10	TYPEWRITER, IBM CORRECTING	930.50			OFII - N. Murrow
4			3.1.00	ICEMAKER		750.00	est.	OAM-Breakroom
4			3.1.00	MICROWAVE - HOTPOINT		220.00	G&L 625	OAM-Breakroom
4			3.1.00	MICROWAVE - KENMORE		220.00	G&L 625	OAM-Breakroom
4	NO #		3.1.00	OVEN - FRIGIDARE		550.00	est.	OAM-Breakroom
4	NO #		3.1.00	REFRIGERATOR - GE/HOTPOINT		750.00	est.	OAM-Breakroom
4	NO #		3.1.00	REFRIGERATOR - GE/HOTPOINT		750.00	est.	OAM-Breakroom
4			3.1.00	TOASTER/TOASTER OVEN		150.00	est.	OAM-Breakroom
4			3.1.00	TV - M. WARD		200.00	est.	OAM-Breakroom
4	358814		3.3.16	TYPEWRITER, ELECTRIC IBM SE	954.45			Surplus ?
4	337727		3.3.16	TYPEWRITER, IBM CORRECTING	776.50			Surplus ?
4		outside	2.2.14	COFFEE POT		60.95	G&L 629	OEA hallway
4		outside	2.2.14	COFFEE POT		60.95	G&L 629	OEA hallway
					89,684.42	9,782.55		
12	489909		1.2.00	COMPUTER, 486DX - AmTech	3,720.00		1,500.00	OAM-vacant (CL)
12	491970	2V527	1.2.00	COMPUTER, DELL 450/M BUNDLE	4,618.00		2,000.00	OPI - Maugham
12	No#	4431000196	1.2.00	Dell Monitor		0.00	200.00	OPI - Maugham (included in bundle price)
12	No#	T4KAM2529390	1.2.00	EverView Monitor		400.00	150.00	OAM-vacant (CL)
12	457493		1.2.00	INTERNAL MODEM	586.00		150.00	OPI - Maugham
12	456828		1.2.00	LASER PRINTER - HP IIID	2,308.00		600.00	OPI - Maugham
12	457493		1.2.00	MICROCOMPUTER - IBM PS/2	7,646.00		300.00	OPI - Maugham
12	502310	USB4402259	1.2.00	PRINTER HP DESKJET 1200C BL (COLOR)	1,462.00		1,000.00	OAM (note: Computer estimate purchase)

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	490353	2LZLK	1.2.04	COMPUTER, DELL 450/M BUNDLE	4,714.00		2,500.00	OPI - Long
12	502943		1.2.04	COMPUTER, TOSHIBA PORTEGE	2,720.00		2,000.00	OPI - Long
12	No#	315A2295	1.2.04	Dell Monitor		0.00	200.00	OPI - Long
12	435198		1.2.04	LASER PRINTER	1,999.95		600.00	OPI - Long
12	503686		1.2.06	COMPUTER TOSHIBA PROTEGE	2,083.00		2,000.00	OPI - Nickels
12	490352		1.2.06	COMPUTER, DELL 450/M BUNDLE	4,714.00		2,500.00	OPI - Nickels
12	No#	316A1490	1.2.06	Dell Monitor		0.00	200.00	OPI - Nickels
12	493288		1.2.06	HP SCANJET IIP PC	801.00		400.00	OPI - Nickels
12	490351		1.2.06	PRINTER, HP LASERJET IVM	1,765.00		600.00	OPI - Nickels
12	494675	2XDH5	1.2.08	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OAM/ASA - Borowski
12	No#	320B1920	1.2.08	Dell Monitor		0.00	200.00	OAM/ASA - Borowski
12	491971		1.2.08	PRINTER, HP LASERJET IVM	1,765.00		600.00	OAM/ASA - Borowski
12		45954	1.2.08	Supra 14.4 Modem		200.00	100.00	OAM/ASA - Borowski
12	498523		1.2.10	DELL 466/MXV BUNDLE	3,162.00		2,000.00	OAM - Ricks
12	600770	65528A058Q55	1.2.10	DELL MONITOR - 17"		856.00	856.00	OAM - Ricks
12		??	1.2.10	FAX MODEM		200.00	100.00	OAM - Ricks
12		??	1.2.10	PRINTER - HP III		1,000.00	400.00	OAM - Ricks
12	498527	3S25G	1.2.12	DELL 466/MXV BUNDLE	2,322.00		2,000.00	OAM - Wallace
12	498527		1.2.12	DELL 466/MXV BUNDLE	840.00			OAM - Wallace
12	600771	65528A07KH55	1.2.12	DELL MONITOR - 17"		856.00	856.00	OAM - Wallace
12	489398		1.2.12	PRINTER, HP LASERJET IV	1,360.00		600.00	OAM - Wallace
12	436398		1.2.14	COMPUTER, COMPAQ PORTABLE II	3,614.00		300.00	OAM/ASA - Vacant (JR)
12	494677	2XD5L	1.2.14	DELL 466/MXV BUNDLE	3,309.00		2,500.00	OAM/ASA - Vacant (JR)
12	No#	331B1961	1.2.14	Dell Monitor		0.00	200.00	OAM/ASA - Vacant (JR)
12	491972		1.2.14	PRINTER, HP LASERJET IVM	1,765.00		600.00	OAM/ASA - Vacant (JR)
12		009566	1.2.14	Supra 14.4 Modem		200.00	100.00	OAM/ASA - Vacant (JR)
12		282130TA	1.2.14	Trakker backup		300.00	200.00	OAM/ASA - Vacant (JR)
12	453974		1.3.04	FAX MODEM	517.47		50.00	OAM (not currently used)-S. ONION (O
12	498599		2.1.00	AUTOMATIC FILE CONVERSION S	1,500.00		1,000.00	OEA-(Vacant-reception area)
12	494680	2XD5K	2.1.00	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OEA-(Vacant-reception area)
12	No#	320B3730	2.1.00	Dell Monitor		300.00	200.00	OEA-(Vacant-reception area)
12	498598		2.1.00	HP JD CARD FOR DESIGNJET 60	577.00		300.00	OEA-(Vacant-reception area)
12	498598	USFB365127	2.1.00	HP LASERJET 4SI MX PRINTER	4,259.00		3,000.00	OEA-(Vacant-reception area)
12	456837		2.1.00	T/R NETWORK 16/4 (FILESERVER)	565.00		150.00	OEA-(Vacant-reception area)
12		0002670210641802	2.1.00	US Robotics 14.4 Modem		150.00	150.00	OEA-(Vacant-reception area)
12			2.1.00	US ROBOTICS SPORTSTER MODEM		150.00	100.00	OEA-(Vacant-reception area)
12	502945		2.1.04	COMPUTER, TOSHIBA PORTEGE	3,035.00		2,000.00	OEA-Iberg
12	600850	65528A07BQ55	2.1.04	DELL MONITOR - 17"		856.00	856.00	OEA-Iberg
12	No#	SG5111N2N6	2.1.04	DESKJET 560C		350.00	350.00	OEA-Iberg
12	479972		2.1.06	CD ROM		400.00	200.00	OEA-White
12	486892	2843Q	2.1.06	COMPUTER, DELL 433/M BUNDLE	2,913.00		1,500.00	OEA-Iberg or White?

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	489530	2KKWB	2.1.06	COMPUTER, DELL 466/L	3,071.00		2,000.00	OEA-White
12	459203		2.1.06	LASER PRINTER - HP LASERJET III	2,311.88		600.00	OEA -White
12	455174		2.1.06	LASER PRINTER - HP SERIES II	1,695.23		600.00	OEA-White
12	No#	U430012087	2.1.06	MONITOR, DELL SVGA 1024I	282.00		200.00	OEA-White
12	453336	JC1601VMA1	2.1.06	MONITOR, NEC MULTISYNC 4D C	1,270.00		300.00	OEA-White
12			2.1.06	SUPRA FAX MODEM		200.00	100.00	OEA-White
12	490405	2NNW5	2.1.08	COMPUTER, 466/M BUNDLE	3,368.00		2,000.00	OEA-Woodard
12	No#	320B4015	2.1.08	Dell Monitor		400.00	200.00	OEA-Woodard
12	No#	US36S1R0C6	2.1.08	DESK JET 500		300.00	200.00	OEA-Woodard
12	600602	4X505	2.1.10	DELL 466 L _e	2,052.00		2,000.00	OEA-Hill
12	600601	4X507	2.1.10	DELL 466/LE 16/340/BUNDLE	2,052.00		2,000.00	OEA-Hill
12	No#	3750109048	2.1.10	Dell Monitor		259.00	200.00	OEA-Hill
12	No#	US36Q1S1TJ	2.1.10	HP DESK JET 500		300.00	200.00	OEA-Hill
12	494679	2XD5F	2.1.12	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OEA-Smith
12	No#	320B4022	2.1.12	Dell Monitor		400.00	200.00	OEA-Smith
12	474125	3224A20094	2.1.12	HP LASER JET 500		300.00	200.00	OEA-Smith
12	502944		2.1.14	COMPUTER, TOSHIBA PORTEGE	3,535.00		2,000.00	OEA-Moeller
12	NO #	M431022798	2.1.14	DELL MONITOR		259.00	200.00	OEA-Moeller
12	474126	3224A20090	2.1.14	HP LASET JET 500		300.00	200.00	OEA-Moeller
12	NO #		2.1.16	DELL MONITOR		250.00	2,000.00	OEA-Storeroom
12	428942		2.1.16	EMULATION BOX	960.00		300.00	OEA
12	429276		2.1.16	IRMA PRINT		960.00	300.00	OEA-Storeroom
12	433685		2.1.16	IRMA PRINT BOARD/BOX PARALL	755.00		300.00	OEA-Storeroom
12	492034		2.1.16	NVIEW MODEL SPECTRA-C LCD	3,674.00		2,500.00	OEA-Storeroom
12	499897		2.1.16	THINKPAD 350C 486NOTEBOOK W	3,538.00		2,500.00	OEA-Storeroom
12	494678	2XD58	2.1.20	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OEA - Record
12	No#	320B1861	2.1.20	Dell Monitor		400.00	200.00	OEA - Record
12		094708	2.1.20	MICROSPEED MOUSE		60.00	25.00	OEA - Record
12	434133		2.1.20	PRINTER SYSTEM - HP Laserjet II	2,163.83		600.00	OEA - Record
12	490406	2NNW4	2.1.22	COMPUTER, DELL 466/M BUNDLE	3,368.00		2,000.00	OEA -Childers
12	No#	U431000437	2.1.22	DELL MONITOR		400.00	200.00	OEA -Childers
12	NO #	3052S71532	2.1.22	HP DESKJET 500		300.00	200.00	OEA -Childers
12	498540	3S7ZH	2.1.24	DELL 466/MXV BUNDLE	3,105.00		2,000.00	OEA -Wheless
12	No#	M454125577	2.1.24	DELL MONITOR		400.00	200.00	OEA -Wheless
12	430589		2.1.24	LASERJET PRINTER,SERIES II	1,402.50		600.00	OEA -Wheless
12	456991		2.1.26	DESK, SINGLE PEDESTAL LEFT	613.31			OEA -Vacant
12	415552		2.1.26	PRINTER, HP LASER JET	1,820.00		500.00	OEA -Vacant
12	600853	54Y4J	2.1.30	DELL 575/XL BUNDLE		2,351.00	2,351.00	OEA - Read
12	No#	79793A1XG675	2.1.30	DELL MONITOR		442.00	442.00	OEA - Read
12	429791		2.1.30	HP LASER JET II		1,462.00	600.00	OEA - Read
12	494681	2XD50	2.1.32	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OEA - Kirby

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	No#	32081908	2.1.32	DELL MONITOR		400.00	200.00	OEA - Kirby
12		31014A2441	2.1.32	PRACTICAL PERIPHERAL MODEM 9600		200.00	100.00	OEA - Kirby
12	493284		2.2.02	AGILE INTERFACE FOR XEROX 4	1,113.00		600.00	OEA - Copy Room
12	493285		2.2.02	AGILE INTERFACE FOR XEROX 4	1,113.00		600.00	OEA - Copy Room
12	428944		2.2.02	EMULATION BOX - IRMA BOX	960.00		300.00	Transferred 10/3/95 - Surplus to OIR
12	448266		2.2.02	LASER PRINTER - DATA PRODUCTS	3,134.67		1,000.00	Transferred 10/3/95 - Surplus to OIR
12	479019		2.2.02	MICROFILM READER/PRINTER w/table	11,142.45			OEA - Copy Room
12	493414	56V-004741	2.2.02	XEROX 4213 LASER PRINTING S	3,895.00		3,000.00	OEA - Copy Room
12	493415	56V-004364	2.2.02	XEROX 4213 LASER PRINTING S	3,895.00		3,000.00	OEA - Copy Room
12	463168		2.2.10	ANALOG MONITOR, MULTISYNC 3	650.38		150.00	OEA -Server Room
12	602540	S95025451846	2.2.10	APC SMART-UPS		614.00	600.00	OEA -Server Room
12	No#	888609004281	2.2.10	AT&T MONITOR		400.00	150.00	OEA -Server Room
12	No#	41505277T424	2.2.10	COMPAQ MONITOR		400.00	200.00	OEA -Server Room
12	439996	4833AJ281068	2.2.10	COMPUTER COMPAQ DESKPRO 386	5,420.50		300.00	OEA -Server Room
12	496553		2.2.10	COMPUTER COMPAQ PROLIANT 20	11,672.48		11,672.00	OEA - Server Room (UTS_OAM)
12	446482		2.2.10	COMPUTER, AT & T 6386	3,526.00		500.00	OEA -Server Room
12	479979		2.2.10	COMPUTER, CUI ADV 486 W/14"	1,999.00		400.00	OFil - Vacant
12	600690	72-8052523	2.2.10	COMPUTER,IBM PS/2 MODEL 60	4,362.00		300.00	OEA -Server Room
12	600775	08Z16	2.2.10	DELL SYSTEM 310		3,000.00	400.00	OEA -Server Room (CD-VIEW server)
12	600697	DP95D00079	2.2.10	DISCPORT CDROM & SOFTWARE	1,838.98		1,800.00	OEA -Server Room
12	379057		2.2.10	DISPLAY COLOR	555.53		200.00	OEA -Server Room
12	440000	4833AJ280992	2.2.10	FIXED DISK, COMPAQ TYPE 17	6,407.00		300.00	OEA -Server Room (PC Anywhere serv
12	443259		2.2.10	GIS 650 WATT UPS	837.00		300.00	OEA -Server Room
12	479980		2.2.10	GOLDSTAR MONITOR		500.00	150.00	OEA -Server Room
12	479984		2.2.10	GOLDSTAR MONITOR		500.00	150.00	OEA -Server Room
12	446482		2.2.10	HARD DISK, 300 MB ADDED TO HOOK_EM	2,200.00		300.00	OEA -Server Room
12		A0104000390C	2.2.10	HAYES 2400 MODEM		250.00	50.00	OEA -Server Room
12	No#	C2106A	2.2.10	HP DESKJET		400.00	200.00	OEA -Server Room
12	No#	23-13537	2.2.10	IBM MONITOR		400.00	150.00	OEA -Server Room
12	No#	72-0978131	2.2.10	IBM MONITOR		400.00	150.00	OEA -Server Room
12	462407	23-1247100	2.2.10	IBM PS/2 MODEL: 55SX	2,520.00		300.00	OEA - Server Room
12		0030922001	2.2.10	MAGNOVOX MONITOR		400.00	150.00	OEA -Server Room
12	493287	A04120043977	2.2.10	MODEM, HAYES BAUD	568.00		100.00	OEA -Server Room
12	443257	61-012448	2.2.10	MODEM, US ROBOTICS COURIER	547.50		100.00	OEA -Server Room
12	443260	61-012479	2.2.10	MODEM, US ROBOTICS COURIER	547.50		100.00	OEA -Server Room
12	No#	45CH00536	2.2.10	PLEXTOR 4PLEX CD-ROM		450.00	400.00	OEA -Server Room
12	No#	45CH007226	2.2.10	PLEXTOR 4PLEX CD-ROM		450.00	400.00	OEA -Server Room
12	376787		2.2.10	PRINTER, EPSON	837.00		200.00	OEA -Server Room
12			2.2.10	TODD CD-ROM TOWER		1,500.00	500.00	OEA -Server Room
12	600851	65528A07AD55	2.2.14	DELL MONITOR - 17"		856.00	856.00	OEA -B. Edwards
12	600772	54Y45	2.2.14	DELL XL 575 BUNDLE		2,351.00	2,351.00	OEA -B. Edwards

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12			2.2.14	US ROBOTICS MODEM		150.00	100.00	OEA - B. Edwards
12	489529	2KKWD	2.2.16	COMPUTER, DELL 466/L BUNDLE	3,071.00		2,000.00	OEA - L. Carino
12	459872		2.2.16	EXTERNAL TAPE BACK-UP, 80 M	724.00			*
12	NO #	89UC2106X	2.2.16	HP DESKJET 500		300.00	200.00	OEA - L. Carino
12	No#	M431022799	2.2.16	MONITOR, SVGA 1024I	282.00		200.00	OEA - L. Carino
12	600691	503VM	2.2.18	DELL 466/LE 16/340 BUNDLE	2,052.00		2,000.00	OEA - K. Rebold
12	No#	03062G0G3995	2.2.18	DELL MONITOR		400.00	200.00	OEA - K. Rebold
12	474124	3224a20051	2.2.18	HP DESKJET 500		300.00	200.00	OEA - K. Rebold
12	493286		2.2.20	AGILE INTERFACE FOR XEROX 4	1,113.00		600.00	OEA - S. Meyers
12	443577		2.2.20	DISPLAY STATION CRT 6300 MO	771.00			? Not on B. White's list
12	462405		2.2.20	MICROCOMPUTER - Club American	2,998.00		400.00	OEA-Byrd
12	462405		2.2.20	MICROCOMPUTER - Club Monitor	1,047.00		150.00	OEA-Byrd
12	460717		2.2.20	MICROCOMPUTER- CLUB AMERICAN	3,546.00		400.00	OEA - S. Myers
12	460716		2.2.20	MONITOR, CLUB MULTISYNC	699.00		150.00	OEA - S. Myers
12	493416	56V-004496	2.2.20	XEROX 4213 LASER PRINTING S	3,895.00		3,000.00	OEA - S. Myers
12	600774	09725	2.2.22	DELL SYSTEM 310		3,000.00	400.00	OEA - K. Mayes
12		A13031083419	2.2.22	HAYES 2400 MODEM		300.00	50.00	OEA - K. Mayes
12	No#	3112S04016	2.2.22	HP DESKJET		300.00	200.00	OEA - V. Coffin
12	NO #	US36Q1S1TV	2.2.22	HP DESKJET 500		300.00	200.00	OEA - K. Mayes
12	459871		2.2.22	MICROCOMPUTER, IBM PS/2	6,646.00		300.00	OEA Mayes/Coffin
12	479020		2.2.22	MODEM - HAYES 2400		550.00	50.00	OEA - K. Mayes
12	470981		2.2.22	MODEM, PP 9600 BAUD W/MNP	510.00		150.00	OEA - KMayes/VCoffin
12	No#	45096000217	2.2.22	SUN MOOR CD ROM DRIVE	470.00		200.00	OEA - K. Mayes
12		0002670210641436	2.2.22	US ROBOTICS 14.4 MODEM		150.00	100.00	OEA - K. Mayes
12	600692	503VM	2.2.24	DELL 466/LE 16/340 BUNDLE	2,052.00		2,000.00	OEA - J. Benner
12	No#	03062G0G3755	2.2.24	DELL MONITOR		400.00	200.00	OEA - J. Benner
12	No#	3109A21766	2.2.24	HP DESKJET		300.00	200.00	OEA - J. Benner
12	369716		2.2.24	MODEM, HAYES SMART - 1200 B	639.88		50.00	OEA - J. Benner
12	475703		2.3.02	4MB CHIP FOR PRINTER, HP LA	200.00			OLCGI - B. Seifts
12	498526	3S25D	2.3.02	DELL 466/MXV BUNDLE	3,162.00		2,000.00	OELL - G. Baker
12	503691	3SGTV	2.3.02	DELL 466/MXV BUNDLE	2,742.00		2,000.00	OLCGI - B. Seifts
12	No#	45918A06A614	2.3.02	DELL MONITOR		400.00	200.00	OLCGI - B. Seifts
12		A19231083555	2.3.02	HAYES 2400 MODEM		350.00	50.00	OLCGI - B. Seifts
12	443261		2.3.02	HP LASERJET SERIES II	1,769.00		600.00	OELL - G. Baker
12	475703		2.3.02	PRINTER, HP LASERJET SERIES III	1,265.00		600.00	OLCGI - B. Seifts
12	479994		2.3.02	ULTRASCAN 14C (DELL MONITOR)	650.00		150.00	OELL - G. Baker
12	395414		2.3.02	WHEELWRITER 5, FOR IBM	836.00		300.00	OELL/OLCGI
12	419308		2.3.04	PRINTER, LASERJET, HP 2686A	1,828.75		200.00	Library
12		8350576	2.3.08	AMDECK MONITOR		450.00	150.00	OEA - AIS
12		S94114443254	2.3.08	APC SMART UPS		600.00	600.00	OEA - AIS (OS/2 server)
12	No#	CY5112NM1S2	2.3.08	APPLE MONITOR		350.00	200.00	OEA - AIS

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	No#	512AF05AF738	2.3.08	COMPAQ MONITOR		250.00	200.00	OEA -AIS (OS/2 server)
12	463167		2.3.08	COMPUTER - TOKEN RING NETWO	500.00		150.00	OEA -Y. Gee
12	464031		2.3.08	COMPUTER WORKSTATION W/KEYB	912.00			OEA -?
12	486893	282ZL	2.3.08	COMPUTER, DELL 433/M BUNDLE	2,896.00		1,500.00	OEA -AIS (Gee)
12	No#	M4513950	2.3.08	DELL MONITOR		300.00	200.00	OEA -AIS
12	489528	2KKWS	2.3.08	DELL 466 L		3,353.00	2,000.00	OEA - AIS (Read)
12	494676	2XD5G	2.3.08	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OEA -Gee
12	498543	3826L	2.3.08	DELL 466/MXV BUNDLE	3,525.00		2,000.00	OEA-Iberg
12	498541	3S26K	2.3.08	DELL 466/MXV BUNDLE	3,525.00		2,000.00	OEA -AIS (Kampfe)
12	600866	58XN0	2.3.08	DELL 575/M W/ CD-ROM		3,000.00	3,000.00	OEA -AIS
12	600852	54Y3R	2.3.08	DELL 575/XL BUNDLE		2,351.00	2,351.00	OEA -AIS
12	600859	571S2	2.3.08	DELL 575/XL BUNDLE		2,069.00	2,069.00	OEA -AIS
12	No#	7096965	2.3.08	DELL MONITOR		442.00	400.00	OEA -AIS
12	No#	320B3725J	2.3.08	DELL MONITOR		300.00	200.00	OEA -AIS (Edwards)
12	No#	M431022801	2.3.08	DELL MONITOR		300.00	200.00	OEA - AIS (Read)
12	No#	M454139519	2.3.08	DELL MONITOR		300.00	200.00	OEA -AIS (Gee)
12	No#	SN-45918A064Z14	2.3.08	DELL MONITOR		300.00	200.00	OEA -AIS (Wallace)
12	No#	SN-45918A06BX14	2.3.08	DELL MONITOR		300.00	200.00	OEA -AIS (Ricks)
12	600860	65532A00FH35	2.3.08	DELL MONITOR - 21"		1,713.00	1,713.00	OEA -AIS
12	460220		2.3.08	DISPLAY, COLOR	615.00		150.00	OEA - AIS
12	476481	23-W2192	2.3.08	DISPLAY, COLOR 14" (#8515)	545.00		150.00	OEA-AIS
12	456841		2.3.08	DISPLAY, COLOR, #8515, 14"	615.00		150.00	OEA - AIS
12	No#	US36Q1S1TB	2.3.08	HP DESKJET		400.00	200.00	OEA -Y. Gee
12	No#	US36Q1S1VF	2.3.08	HP DESKJET		350.00	200.00	OEA -AIS
12		US00140817	2.3.08	HP SCANNER		1,200.00	1,000.00	OEA -AIS
12	460715	D001082	2.3.08	MICROCOMPUTER - CLUB AMERICAN	4,745.00		400.00	OEA - AIS
12	460715		2.3.08	MICROCOMPUTER W/COMPONENTS (MEM	384.00			OEA -AIS
12	463167		2.3.08	MICROCOMPUTER, IBM	7,228.00		300.00	OEA -Y. Gee
12	460994	23-9008462	2.3.08	MICROCOMPUTER, IBM PS/2	6,645.00		300.00	OEA -Y. Gee
12	460713	D001088	2.3.08	MICROCOMPUTER- CLUB AMERICAN	4,217.00		400.00	OEA -AIS
12	No#		2.3.08	MONITOR, CLUB MULTISYNC	699.00		150.00	OEA - AIS
12	460718		2.3.08	MONITOR, CLUB MULTISYNC	699.00		150.00	OEA - AIS
12	476483	23-RT745	2.3.08	MONITOR, IBM PS/2 14" COLOR	600.00		150.00	OEA -AIS
12	600695		2.3.08	POWER MAC 7100/80 8/700/CD	1,532.00		2,500.00	OEA - AIS
12	600696		2.3.08	PROLIANT 1500 PENT-75-NP-HD	10,225.71		10,000.00	OEA -Y. Gee (OS/2 server)
12		0002670210641821	2.3.08	US ROBOTICS 14.4 MODEM		120.00	100.00	OEA -AIS (OS/2 server)
12	No#	7095276	2.3.12	DELL 15" MONITOR		442.00	400.00	OEA - M. Stinnett
12	498666	3H2FX	2.3.12	DELL 466/MXV BUNDLE	3,362.00		2,000.00	OEA - M. Stinnett
12	No#	M454124452	2.3.12	DELL MONITOR		400.00	200.00	OEA - M. Stinnett
12	600854	571GO	2.3.12	DELL XL 575		2,688.00	2,688.00	OEA - M. Stinnett
12	NO #	US36Q1S1V7	2.3.12	HP DESKJET 500		400.00	200.00	OEA - M. Stinnett

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	480687	3201J18196	2.3.12	HP SCAN JET		1,000.00	400.00	OEA - M. Stinnett
12		0002670210641790	2.3.12	US ROBOTICS 14.4 MODEM		120.00	100.00	OEA - M. Stinnett
12	459322		2.3.14	ADAPTOR, T/R NETWORK IN STOCKS	6,072.00		1,000.00	OEA -Y. Gee
12	No#	0095048	2.3.14	CLUB MONITOR		450.00	150.00	OEA -Y. Gee (STOCKS)
12	436230	4751AJ2B1704	2.3.14	COMPAQ DESKPRO 386		5,000.00	200.00	OEA -Y. Gee
12	439994	4835AJ2B0802	2.3.14	COMPUTER, COMPAQ DESKPRO 38	5,420.50		300.00	OEA -Y. Gee
12	479993		2.3.14	DELL 32MB RAM, CUST in STOCKS	4,497.00		500.00	OEA -Gee
12	479993	1R0TV	2.3.14	DELL 450SE/2 BUNDLE	6,393.00		2,000.00	OEA -Gee (STOCKS server)
12	498542	3S2ZL	2.3.14	DELL 466/MXV BUNDLE	3,105.00		2,000.00	OEA -Y. Gee
12	600858	571GL	2.3.14	DELL 575/XL BUNDLE		2,069.00	2,069.00	OEA -Y. Gee
12	No #	79793A1YPH75	2.3.14	DELL MONITOR		400.00		OEA -Y. Gee
12	NO #	3035513756	2.3.14	HP DESK JET		400.00	200.00	OEA -Y. Gee
12	479993		2.3.14	IGB DRIVE, 2ND, SE, CUST in STOCKS	1,529.00		500.00	OEA -Gee
12	434357	2728A05472	2.3.14	PRINTER, HP PAINTJET	767.25		400.00	OAM-Gee
12		0008390034231762	2.3.14	US ROBOTICS 28.8 MODEM		100.00	125.00	OEA -Y. Gee
12	494674	2XD5C	2.3.16	DELL 466/MXV BUNDLE	3,309.00		2,000.00	OAM-D Gahagan
12	No#	M454106258	2.3.16	DELL MONITOR		400.00	200.00	OAM-D Gahagan
12	NO #	US36T1R0BY	2.3.16	HP DESKJET 500		400.00	200.00	OAM-D Gahagan
12	456842	23-D6939	2.3.16	IBM MONITOR		600.00	150.00	OAM-D Gahagan
12			2.3.16	KEYBOARDS (2)		0.00		OAM-D Gahagan
12			2.3.16	LABTEC SPEAKERS		150.00		OAM-D Gahagan
12	456827	23-9218910	2.3.16	MICROCOMPUTER- IBM PS/2 MODEL 80	6,582.00		300.00	OAM- D. Gahagan
12		009568	2.3.16	MODEM - SUPRA 14.4 FAX		150.00	100.00	OAM-D Gahagan
12	369712		2.3.16	MODEM, HAYES SMART - 1200 B	1,609.88		50.00	OEA-Storeroom
12	438696		2.3.16	PRINTER - HP LASERJET SERIES II	2,213.68		600.00	OAM-D Gahagan
12	484850		2.3.16	TW 72-PIN 16MB SIMMS FOR DGAHAGAN	2,199.00		300.00	OAM-D Gahagan
12			2.3.16	US ROBOTICS 28.8 MODEMS (2)		200.00	300.00	OAM-D Gahagan
12	No#	45918A01HM14	2.3.18	DELL MONITOR		400.00	200.00	OELL - G. Cox
12	494685	30Q6Z	2.3.18	DELL MXV BUNDLE	2,969.00		2,000.00	OELL - G. Cox
12			2.3.18	MP 401 AUTO DATA SWITCH		0.00	leased thru Bloom.	OELL - G. Cox
12	434135		2.3.18	PRINTER- HP SERIES II	2,163.83		600.00	OELL - G. Cox
12	498528	3S254	2.3.20	DELL 466/MXV BUNDLE	2,322.00		2,000.00	OELL - M. Penn
12	No#	45918A069K14	2.3.20	DELL MONITOR	840.00		200.00	OELL - M. Penn
12	440501		2.3.20	LASER PRINTER, HP SERIES II	2,299.93		600.00	OELL - M. Penn
12	382645		2.3.20	MODEM, SMART, HAYES	550.00		50.00	*
12	475704		2.3.22	4MB CHIP FOR PRINTER, HP LA	200.00			OLCGI - H. Timmins
12	479977		2.3.22	COMPUTER, CUI ADV 486 W/14"	1,999.00		400.00	OLCGI - H. Timmins
12			2.3.22	DATA SWITCH/CA POWER DIRECTOR		0.00	leased thru Bloom.	OLCGI - H. Timmins
12	498524	3S250	2.3.22	DELL 466/MXV BUNDLE	2,322.00		2,000.00	OLCGI - H. Timmins
12	No#	45918A06BU14	2.3.22	DELL MONITOR	840.00		200.00	OLCGI - H. Timmins
12	475704		2.3.22	PRINTER, HP LASERJET SERIES	1,265.00		600.00	OLCGI - H. Timmins

#	Inventory #	Serial#	Room #	Description	Purchase Price	Estimated Purchase Price	Estimated Market Value	Employee
12	479978		2.3.22	GOLDSTAR MONITOR		550.00	150.00	OLCGI - H. Timmins
12	498667	3H2FW	2.3.24	DELL 466/MXV BUNDLE	3,362.00		2,000.00	OLCGI - C. Hopkins
12	No#	45918A097P24	2.3.24	DELL MONITOR		400.00	200.00	OLCGI - C. Hopkins
12	434849		2.3.24	PRINTER, LASER HP SERIES II	1,668.30		600.00	OLCGI - C. Hopkins
12		140394	2.3.24	SUPRA 14.4 MODEM		150.00	100.00	OLCGI - C. Hopkins
12	600707		2.3.26	COMPAQ PROLIANT		10,000.00	10,000.00	OLCGI - Trading Room
12	407920		2.3.26	COMPUTER, DESKPRO 4 COMPAQ	4,765.09		300.00	OLCGI - Trading Room
12	No#		2.3.26	COMPUTER, DESKTOP MONITOR	700.00		150.00	OLCGI - Trading Room
12		23ZBV16	2.3.26	IBM MONITOR		450.00	150.00	OLCGI - Trading Room
12	382644		2.3.26	MODEM, SMART, HAYES	580.00		50.00	*
12	418692		2.3.26	PRINTER, EPSON FX 286	589.00		200.00	OLCGI - Trading Room
12	486908		2.3.26	PRINTER, HP LASERJET IV	1,184.00		600.00	
12	360449		2.4.02	TRADER, MONROE BOND	1,195.00		1,195.00	OFII - B. Holland
12	498525		2.4.04	DELL 466/MXV BUNDLE	3,162.00		2,000.00	OFII - D. Watson
12	No#	45918A01K714	2.4.04	DELL MONITOR		400	200.00	OFII - D. Watson
12	443262		2.4.04	LASERJET SERIES II, HP	1,769.00		600.00	OFII - D. Watson
12			2.4.06	BLOOMBERG (1)		0.00	leased	OFII - Trading Room
12	498665	3H2I1	2.4.06	DELL 466/MXV BUNDLE	3,791.00		2,000.00	OFII - Trading Room
12	600773	54Y40	2.4.06	DELL 575/XL BUNDLE		2,688.00	2,688.00	OFII - Kampfe
12	No#	320B3736	2.4.06	DELL MONITOR		400.00	200.00	OFII - Trading Room
12	No#	U430012094	2.4.06	DELL MONITOR		400.00	200.00	OFII - Trading Room
12			2.4.06	DOW JONES TELERATE (2)		0.00	leased	OFII - Trading Room
12	486895		2.4.06	HAYES ULTRA 96/SC EZ PC	552.00		100.00	OFII - Trading Room
12	459321		2.4.06	MONITOR, COLOR	1,084.00		150.00	OLCGI - Trading Room
12	434134		2.4.06	PRINTER SYSTEM HPLJ II	2,163.83		600.00	OFII - Trading Room
12	376764		2.4.06	TRADER, MONROE BOND, MODEL	1,076.00		1,076.00	OFII - Trading Room
12	451685		2.4.06	TRADER, MONROE BOND, MODEL	1,395.00		1,395.00	OFII - Trading Room
12	439995		2.4.10	COMPUTER, COMPAQ DESKPRO 38	5,420.50		300.00	OFII - Vacant
12	479989		2.4.10	COMPUTER, CUI ADV 486 W/14"	1,999.00		400.00	OFII - Vacant
12	479990		2.4.10	GOLDSTAR MONITOR		500.00	150.00	OFII - Vacant
12		B09068023498	2.4.10	HAYES 1200 MODEM		400.00	50.00	OFII - Vacant
12		2014435Z	2.4.10	NEC MONITOR		450.00	150.00	OFII - Vacant
12	369710	0772347	2.4.10	PRINTER, W/IBM PRINTER STAN	1,179.88		200.00	OFII - Trading Room
12	No#	82000703	2.4.10	SAMSUNG MONITOR		450.00	150.00	OFII - Vacant
12		82001361	2.4.10	SAMSUNG MONITOR		450.00	150.00	OFII - Vacant
12	439999		3.1.00	DAYNA FILE, 360K - 5 1/4" D	803.00			OAM-Storage
12	456843		3.1.02	COMPUTER, IBM PS/2 MODEL: 7		3,020.00	300.00	OAM- Storage
12	453973		3.1.02	DESKWRITER, HP	740.00		200.00	OAM-Storage
12	No#	90102349	3.1.02	GOLDSTAR MONITOR		450.00	150.00	OAM- Storage
12	No#	23-GHV66	3.1.02	IBM MONITOR		450.00	150.00	OAM- Storage
12	No#	72-06782	3.1.02	IBM MONITOR		450.00	150.00	OAM- Storage



1996 Annual Fee and Allocation Schedule

	PUF	U.T. Funds			Separate Funds	Q-EIE	Total
	PUF	Pooled Funds					
							
Market Value 8/31/95	4,958.5	1,549.7	1,123.7	526.2	181.9		8,340.0
Projected Expenses							
UTIMCO Services	2,028,788	2,169,759	332,055	0	0	0	4,530,602
Ext. Port. Mgmt. Fees	2,997,736	2,640,838	0	947,160	0	0	6,585,734
Ext. Port. Mgmt. Fees Reserve (15%)	449,660	0	0	0	0	0	449,660
Custodian Fees	305,000	214,021	47,675	0	2,746	0	569,442
Performance Compensation	0	0	0	0	0	338,937	338,937
TOTAL	5,781,184	5,024,618	379,730	947,160	2,746	338,937	12,474,375
Percentage of Market Value							
UTIMCO Services	0.04%	0.14%	0.03%	0.00%	0.00%	n/a	0.05%
Ext. Port. Mgmt. Fees	0.06%	0.17%	0.00%	0.18%	0.00%	n/a	0.08%
Ext. Port. Mgmt. Fees Reserve (15%)	0.01%	0.00%	0.00%	0.00%	0.00%	n/a	0.01%
Custodian Fees	0.01%	0.01%	0.00%	0.00%	0.00%	n/a	0.01%
Performance Compensation	0.00%	0.00%	0.00%	0.00%	0.00%	n/a	0.00%
TOTAL	0.12%	0.32%	0.03%	0.18%	0.00%	n/a	0.15%



ARTICLES OF INCORPORATION
OF
THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY

FILED
In the Office of the
Secretary of State of Texas

NOV 15 1995

CORPORATIONS SECTION

I, the undersigned natural person, of the age of eighteen (18) years or more, acting as incorporator of a corporation under the Texas Non-Profit Corporation Act, do hereby adopt the following Articles of Incorporation for such corporation (the "Corporation"):

ARTICLE I.

The name of the Corporation is The University of Texas Investment Management Company.

ARTICLE II.

The Corporation is a non-profit corporation.

ARTICLE III.

The period of the Corporation's duration is perpetual.

ARTICLE IV.

The exclusive purposes for which the Corporation is organized and is to be operated are charitable and educational within the meaning of section 501(c)(3) of the Code. In accomplishment of such purposes, the Corporation is to be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the "System"), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. Specifically, the Corporation will be administered for the benefit of the System by:

- (a) Investing funds under the control and management of the Board of Regents of the System (the "Board of Regents"), including the permanent university fund,

as designated by the Board of Regents in accordance with the laws of the State of Texas; and

(b) Performing such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

The broadest discretion is vested in and conferred upon the Board of Directors of the Corporation for the accomplishment of these purposes, provided, however, that no contribution shall be made or distributed to or for any person, firm, corporation, or other entity that shall apply, directly or indirectly, such contributed funds for any purpose or purposes in violation of the Constitution and statutes of the United States or the State of Texas.

ARTICLE V.

The Corporation shall have no members, within the meaning of the Texas Non-Profit Corporation Act.

ARTICLE VI.

The street address of the initial registered office of the Corporation is 701 Brazos Street, Austin, Texas 78701, and the name of its initial registered agent at such address is C T Corporation.

ARTICLE VII.

The initial number of members of the Board of Directors is four (4) and the names and addresses of the persons who are to serve initially as Directors are:

<u>Name</u>	<u>Address</u>
William H. Cunningham	601 Colorado Street Austin, Texas 78701
Donald L. Evans	508 W. Wall, Suite 500 Midland, Texas 79701

Thomas O. Hicks

200 Crescent Court, Suite 1600
Dallas, Texas 75201

Tom Loeffler

7710 Jones Maltsberger, Suite 540
San Antonio, Texas 78216

ARTICLE VIII.

The name and street address of the incorporator are :

<u>Name</u>	<u>Address</u>
Jerry E. Turner	One American Center 600 Congress Avenue Austin, Texas 78701-3200

ARTICLE IX.

Regardless of any other provisions of these Articles of Incorporation or the laws of the State of Texas, the Corporation shall not, within the meaning of section 501(c)(3) of the Code:

- (1) permit any part of the net earnings of the Corporation to inure to the benefit of any private individual (except that reasonable compensation may be paid for personal services rendered to or for the Corporation affecting one or more of its purposes);
- (2) devote more than an insubstantial part of its activities to attempting to influence legislation by propaganda or otherwise;
- (3) participate in, or intervene in (including the publication or distribution of statements), any political campaign on behalf of any candidate for public office; or
- (4) attempt to influence the outcome of any specific public election or to carry on, directly or indirectly, any voter registration drives.

ARTICLE X.

Upon the dissolution of the Corporation, after payment or provision for payment of the Corporation's liabilities has been made, the Corporation's remaining assets shall be

distributed exclusively to the System. If the System is not in existence, such assets shall be distributed to the State of Texas exclusively for public purposes.

ARTICLE XI.

The Corporation shall indemnify (which indemnification shall include, without limitation, advancing reasonable expenses) any person who is or was a Director, officer, employee, or agent of the Corporation (or any person who is or was serving at the request of the Corporation as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise) to the fullest extent required or permitted by applicable law. In addition, the Corporation shall have the power to indemnify (which indemnification shall include, without limitation, advancing reasonable expenses) to the fullest extent permitted by law such other persons as the Board of Directors may determine from time to time. The Corporation shall have the power to purchase and maintain at its expense insurance on behalf of such persons to the fullest extent permitted by applicable law, whether or not the Corporation would have the power to indemnify such persons under the foregoing provisions.

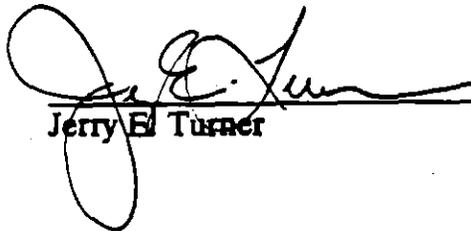
ARTICLE XII.

As used herein the term "Code" refers to the Internal Revenue Code of the 1986, as amended, and future corresponding revenue laws of the United States.

ARTICLE XIII.

These Articles may be amended by the Board of Directors of the Corporation with the approval of the Board of Regents.

IN WITNESS WHEREOF, I have hereunto set my hand this 14th day of November, 1995.


Jerry E. Turner

STATE OF TEXAS §

COUNTY OF AUSTIN §

I, notary public, do hereby certify that on this 14th day of November, 1995, personally appeared before me Jerry E. Turner, who, being by me first duly sworn, declared that he is the person who signed the foregoing document as incorporator, and that the statements therein contained are true.

Given IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year above written.

Sarita Suzanne Schooley

Notary Public in and for
the State of Texas





The State of Texas

SECRETARY OF STATE

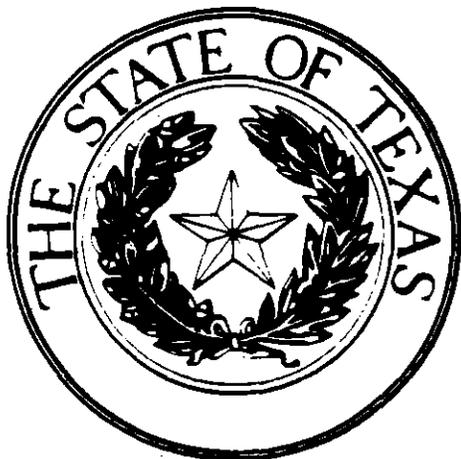
**CERTIFICATE OF INCORPORATION
OF
THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
CHARTER NUMBER 01377795-01**

The undersigned, as Secretary of State of Texas, hereby certifies that the attached Articles of Incorporation for the above named corporation have been received in this office and are found to conform to law.

ACCORDINGLY, the undersigned, as Secretary of State, and by virtue of the authority vested in the Secretary by law, hereby issues this Certificate of Incorporation.

Issuance of this Certificate of Incorporation does not authorize the use of a corporate name in this state in violation of the rights of another under the federal Trademark Act of 1946, the Texas trademark law, the Assumed Business or Professional Name Act, or the common law.

Dated: November 15, 1995
Effective November 15, 1995





Antonio O. Garza, Jr.
Secretary of State

RR



BYLAWS
OF
THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY

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BYLAWS
OF
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

ARTICLE I
STRUCTURE AND PURPOSES

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

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

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

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

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

approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file quarterly reports with the Board of Regents concerning such matters as required by the Board of Regents.

ARTICLE II OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at Claudia Taylor Johnson Hall, Second Floor, 210 West 6th Street, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

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

ARTICLE III BOARD OF DIRECTORS

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

Section 2. Number. The Board of Directors shall consist initially of the four (4) Directors named in the Articles of Incorporation of the Corporation initially filed with the Secretary of State of Texas. The number of Directors will automatically increase to nine (9) following appointment by the Board of Regents of nine (9) Directors to replace the four (4) Directors named in the Articles of Incorporation, provided that the Board of Regents may include any of the four (4) named Directors among the nine (9) appointed Directors. Thereafter, the number of Directors shall be determined by the Board of Regents in compliance with applicable law.

Section 3. Appointment and Term. Except for those Directors named in the Articles of Incorporation, Directors shall be appointed by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he remains Chancellor of the System. Until otherwise changed by the Board of Regents in compliance with applicable law, the members of the Board of

Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System. The three (3) Regental Directors shall serve for two-year terms that expire on the first day of February of each odd-numbered year, except that the initially-appointed Regental Directors shall serve until February 1, 1997. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of February of the appropriate year, except that the term of one of the initially-appointed Directors shall end on February 1, 1997, the term of two (2) initially-appointed Directors shall end on February 1, 1998, and the term of the remaining two (2) initially-appointed Directors shall end on February 1, 1999; provided, however, that no such Director (other than the Chancellor of the System or the Regental Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may from time to time alter the terms of the Directors. Each person serving as a Director shall serve until the earlier to occur of (i) the expiration of such Director's term or (ii) such Director's death, resignation, or removal as provided in these Bylaws.

Section 4. Removal. Any Director may be removed from office at any time, with or without cause, by the Board of Regents.

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

Section 6. Meetings of Directors. The Directors may hold meetings, maintain an office, and keep the Corporation's books and records at such place or places within or without the State of Texas as the Board of Directors may from time to time determine; provided, however, that in the absence of any such determination, such place shall be the Corporation's principal office in the State of Texas.

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

Section 8. Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held bi-monthly at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required.

Section 9. Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the

Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10. Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Regular and Special Meeting to each Director in person, or by mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, such notice only need be provided at least two (2) hours before the meeting is convened. Unless otherwise indicated in such notice, any and all matters pertaining to the Corporation's purposes may be considered and acted upon at such meeting. At any such meeting at which every Director shall be present even though without notice, any matter pertaining to the Corporation's purposes may be considered and acted upon.

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

Section 12. Voting. To the extent permitted by applicable law, a Director may vote in person or by proxy executed in writing by the Director. No proxy shall be valid after three (3) months from the date of its execution. Each proxy shall be revocable unless expressly provided therein to be irrevocable, and unless otherwise made irrevocable by law.

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

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the chairman may appoint any person to act as secretary of the meeting. The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business.

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

ARTICLE IV COMMITTEES

Section 1. Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

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

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

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee. In the absence or disqualification of a member of a committee, the member or members present at any meeting of such committee and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint the designated alternate Director to act at that meeting in the place of the absent or disqualified member.

ARTICLE V OFFICERS

Section 1. Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary. Except for those officers elected at the organizational meeting (the "Organiza-

tion Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

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

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

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors.

Section 5. Powers and Duties of the President. The President shall be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors.

Section 6. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 7. Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors.

ARTICLE VI MISCELLANEOUS PROVISIONS

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

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

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

Section 4. Resignations. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5. Action Without a Meeting by Directors or Committees; Telephone Meetings. To the extent permitted by applicable law, any action required by law or these Bylaws to be taken at a meeting of the Board of Directors or any committee, or any action which may be taken at a meeting of the Board of Directors or of any committee thereof may be taken without such a meeting if a consent in writing, setting forth the action to be taken, shall be signed by all of the Directors or members of the committee, as the case may be. Such consent shall have the same force and effect as a unanimous vote at a meeting, and may be stated as such in any document or instrument filed with the Secretary of State. Subject to the requirements of law for notice of meetings, unless otherwise restricted by the Articles of

Incorporation or these Bylaws, members of the Board of Directors or members of any committee may participate in and hold a meeting of such Board of Directors or committee, as the case may be, by means of a conference telephone, or similar communications equipment by means of which all persons participating in the meeting can hear each other, and participation in such meeting shall constitute presence in person at such meeting, except where a person participates in the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called or convened.

ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

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

Section 2. Advance Payment. An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his good faith belief that he has met the standard of conduct necessary for

indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

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

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

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

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

ARTICLE VIII AMENDMENTS

Section 1. Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents.

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SUMMARY

The Company, its directors and its employees shall conduct themselves in a manner that ensures that each of their actions and activities is honest, ethical, legal, and proper in appearance, as well as in fact. Directors and employees are responsible for both the integrity and consequences of their own actions, and are expected to conduct themselves in accordance with the above principles and standards of conduct, as well as Company policies and procedures. Each director and employee shall expect co-directors and co-workers to do so as well. Directors and employees are obligated to report violations of the Company's ethics and standards of conduct to their management or other Company officials in accordance with Company policies and procedures.

After reading the "Code of Ethics", each director and employee is required to sign a "Certificate of Receipt and Acceptance", which will be maintained in the director's or employee's permanent file.

Working together, we can assure through our conduct that the Company will earn and maintain a reputation for honesty and integrity.



Code of Ethics



The Company shall earn its reputation for honesty and integrity by conducting its business in accordance with the highest legal and ethical standards of conduct and obligating all its directors and employees to meet these standards.

The Company's Code of Ethics consists of the following seven principles. The standards of conduct required of all Company directors and employees are presented with each principle below:

The Company's Code of Ethics consists of the following seven principles. The standards of conduct required of all Company directors and employees are presented with each principle below:

CODE OF ETHICS

1. Comply with all applicable laws and regulations of the states and countries in which the Company operates.

Directors and employees shall conduct the Company's business in strict compliance with the laws, governmental requirements, and contractual agreements applicable to it and its business in the states and countries in which the Company does business.

2. Provide the highest quality services and products to the Board of Regents consistent with contractual agreements.

Directors and employees shall perform their assignments to ensure that the services and products delivered to the Board of Regents meet all formally specified quantity and quality requirements, are delivered on time, and are within the agreed upon cost or budget.

3. Maintain a productive and professional work environment.

Directors and employees shall conduct themselves in a manner that maintains a professional business environment that is conducive to high quality work. Directors and employees shall perform their assigned duties and responsibilities to the best of our abilities and without distractions from unprofessional influences. All directors and employees are expected to adhere to assigned work schedules, maintain a good attendance record, and work required overtime. Directors and employees shall accurately represent their professional and educational qualifications. Each employee is expected to not intimidate, coerce, harass, or unlawfully discriminate against other

directors and employees, prospective directors and employees, suppliers or the Board of Regents; gamble on Company premises or while on duty; use insulting or obscene language; be involved with illegal drugs at any time or place either on or off Company premises; possess or use alcohol while on Company premises, or while on duty without proper authorization, or be under the influence of alcohol or other legal substances while on duty, on Company premises, or at any time or place which can affect the Company adversely; solicit contributions or purchases on Company property without proper authorization; or distribute or post petitions or other promotional or campaign literature or material on Company premises or while on duty unless properly authorized.

4. Recognize and respond positively to our obligations as good Company citizens of the various communities in which we operate.

Directors and employees are encouraged to contribute their time or otherwise support civic, charitable, and other worthy activities that are beneficial to the communities in which these directors and employees live or work.

5. Honor the property rights and interests of the Company, its directors and employees, clients, suppliers, and others.

Directors and employees are expected to be honest in all their dealings with the company, the Board of Regents, suppliers, directors and employees, and others. Directors and employees shall respect the property rights of the Company and others, and not misuse property, equipment (including "assigned" equipment such as telephones), or Company supplies and/or others. Directors and employees and former directors and employees shall not use or disclose proprietary and/or Company sensitive information for other than Company purposes. Directors and employees shall adhere to security procedures relating to classified information, Company proprietary and/or sensitive information, and access to Company facilities and information systems. Directors and employees shall not remove or retain Company reports, proposals, documents, papers, equipment, or supplies without proper authorization.

6. Maintain "arm's length" business relationships and avoid conflicts of interest.

Each employee has a duty of loyalty to the Company. Directors and employees' personal relationships or interests outside the Company shall not influence the Company's business activities. Directors and employees shall avoid activities, business relationships, entertainment of or from others, or gratuities to or from others which create or appear to create conflicts between their interests or potential interests and those of the Company, or which may impair or appear to impair their decisions, judgments, job performance, or conduct. Directors and employees shall notify management promptly if they, their spouses, or other close family members, have a significant interest in or are involved in a potential conflict of interest with a current or prospective supplier, investee, or other entity having a business relationship with the Company. Directors and employees shall deal fairly with the Company and not usurp corporate opportunities for their personal benefit.

7. Accurately and fairly account for all transactions, and for all funds and assets owned by, or in the custody of, the Company.

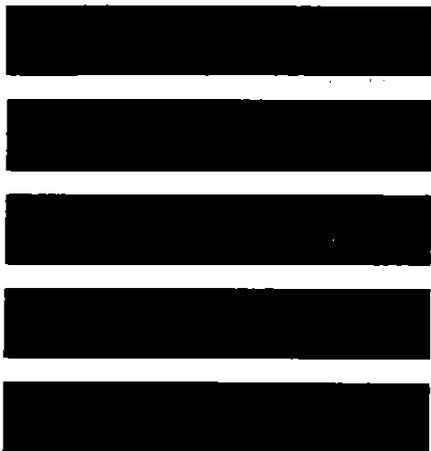
Directors and employees shall accurately prepare time reports, expense vouchers, and other claims for reimbursement in accordance with Company policy. Directors and employees shall represent facts honestly and completely and shall not knowingly make false or improper entries on any Company documents.



**Summary of Investments and
Summary of Investment Income (Cash Basis)**

Permanent University Fund

Year ended August 31, 1995



Permanent University Fund
Summary of Investments and
Summary of Investment Income (Cash Basis)

Year ended August 31, 1995

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Report of Independent Auditors

Board of Regents
The University of Texas System Permanent
University Fund

We have audited the accompanying Summary of Investments as of August 31, 1995, and the Summary of Investment Income (Cash Basis) of the Permanent University Fund for the year then ended. These summaries are the responsibility of management. Our responsibility is to express an opinion on these summaries based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Summary of Investments and Summary of Investment Income (Cash Basis) are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As described in Note 1, the Summary of Investment Income (Cash Basis) referred to above has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. Also as described in Note 1, both summaries referred to above have been prepared for the purpose of complying with Section 4 of Texas House Bill 1877 which requires a financial audit of the Fund. These summaries are not intended to be a complete presentation of the Permanent University Fund's financial position or results of operations.

In our opinion, the Summary of Investments referred to above presents fairly, in all material respects, investments of the Permanent University Fund at August 31, 1995, in conformity with generally accepted accounting principles.

Also in our opinion, the Summary of Investment Income (Cash Basis) referred to above presents fairly, in all material respects, the investment income of the Permanent University Fund for the year ended August 31, 1995, on the basis of accounting described in Note 1.

Our audit of the Summary of Investments was conducted for the purpose of forming an opinion on such summary taken as a whole. The fair value information appearing in conjunction with the book value information on the summary is presented for purposes of additional analysis. Such information has been subjected to the auditing procedures applied in our audit of the Summary of Investments and, in our opinion, is fairly stated in all material respects in relation to the summary taken as a whole.

This report is intended solely for the use of the Board of Regents of the University of Texas System Permanent University Fund and for filing with regulatory agencies. This restriction is not intended to limit the distribution of this report, which upon filing is a matter of public record.

October 20, 1995

Ernst + Young LLP

Permanent University Fund

Summary of Investments

August 31, 1995

	Book Value	Market Value
<i>(In Thousands)</i>		
Long-term securities		
Debt securities		
U.S. government obligations:		
Direct – treasuries	\$ 347,577	\$ 383,420
Guaranteed:		
Mortgage-backed	21,707	23,077
Other	28,140	29,851
Total U.S. government obligations	397,424	436,348
U.S. government agencies (non-guaranteed):		
Mortgage-backed	318,358	334,662
Other	35,533	41,307
Total U.S. government agencies (non-guaranteed)	353,891	375,969
Foreign government obligations	95,394	99,372
Municipal and county bonds	76,857	77,527
Corporate bonds	1,288,290	1,350,207
Total debt securities	2,211,856	2,339,423
Preferred stocks	6,083	9,371
Equity securities		
Convertible preferred stocks	632	698
Common stocks and other equities	829,336	1,085,887
Index funds	1,023,335	1,217,694
Total equity securities	1,853,303	2,304,279
Total long-term securities	4,071,242	4,653,073
Short-term securities		
U.S. government (direct and guaranteed)	43,189	43,661
U.S. government agencies (non-guaranteed)	3,000	3,017
Corporate bonds	21,947	22,324
Total short-term securities	68,136	69,002
Cash and cash equivalents		
Cash held at state treasury	80,459	80,459
Money markets	4,406	4,406
Commercial paper	150,000	150,000
Total cash and cash equivalents	234,865	234,865
Total investments	\$4,374,243	\$4,956,940

See accompanying notes.

Permanent University Fund

Summary of Investment Income (Cash Basis)

Year ended August 31, 1995

Investment Income (Cash Basis) by Investment Type

Debt securities	\$187,978,696
Preferred stocks	790,671
Equity securities	50,465,469
Cash and cash equivalents	9,987,746
Other investment income	<u>311,537</u>
Total investment income	<u><u>\$249,534,119</u></u>

See accompanying notes.

Permanent University Fund

Notes to Summary of Investments and Summary of Investment Income (Cash Basis)

August 31, 1995

1. Organization

The Permanent University Fund (PUF) is a public endowment contributing to the support of eligible institutions of The University of Texas System (UT System) and The Texas A&M University System (A&M System). The UT System and the A&M System are agencies of the State of Texas. Earnings from the PUF flow into the Available University Fund (AUF).

The Summary of Investments has been prepared on the accrual basis of accounting. The Summary of Investment Income (Cash Basis) has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles. The Summary of Investment Income (Cash Basis) presents only gross investment income on a cash basis for the year ended August 31, 1995. Expenses related to operation of the PUF are deducted after investment income has been remitted to the AUF. The Summary of Investments and the Summary of Investment Income (Cash Basis) have been prepared for the purpose of complying with Section 4 of Texas House Bill 1877, which requires a financial audit of the PUF.

2. Significant Accounting Policies

Investments

The investments of the PUF are carried at amortized cost (book value), with the exception of the PUF's 2.1 million acres of West Texas land which is not included in this report. Bond discount and premium is amortized over the life of the security using the interest method.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held at the State Treasury, money market instruments, and commercial paper.

Security Valuation

Investments are primarily valued on the basis of market valuations provided by independent pricing services.

Fixed income securities directly held are valued based upon prices supplied by Merrill Lynch Securities Pricing Service, external broker quotes, and internal pricing matrices.

Permanent University Fund

Notes to Summary of Investments and Summary of Investment Income (Cash Basis) (continued)

2. Significant Accounting Policies (continued)

The fair values of equity investments are based on the New York Stock Exchange Composite closing prices, if available. If not available, the fair value is based on the closing price on the primary exchange on which the security is traded, the closing sale or bid price on NASDAQ, other authoritative external sources, or an internal valuation determined as specified by policies established by the Board of Regents.

Securities held through index funds are generally valued as follows:

- Stocks traded on security exchanges are valued at closing market prices on the valuation date.
- Stocks traded on the over-the-counter market are valued at the last reportable bid price, except for National Market System OTC stocks which are valued at their closing market price.
- Fixed income securities are valued based upon bid quotations obtained from major market makers or security exchanges.

Foreign Currency Translation

The accounting records of the PUF are maintained in U.S. dollars. Purchases and sales of securities and income receipts are translated into U.S. dollars at the exchange rate on the dates of the transactions.

Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates.

Investment Income

Interest and dividend income is recorded when received. Dividend and interest income is recorded net of foreign taxes where recovery of such taxes is not assured. Distributions of investment income to the AUF is on a cash basis as provided by statute.

Permanent University Fund

Notes to Summary of Investments and Summary of Investment Income (Cash Basis) (continued)

2. Significant Accounting Policies (continued)

Security Transactions

Security transactions are accounted for in this report on a trade date basis. Gains and losses on securities sold are determined on the basis of average cost. A loss is recognized if there is an impairment in the value of the security that is determined to be other than temporary.

Federal Income Taxes

The PUF is not subject to federal income tax.

3. Investment Activity

During the year ended August 31, 1995, the cost of purchases and proceeds from sales and maturities of investments (excluding short-term investments) were \$811 million and \$700 million, respectively. Such transactions were made at current market prices on the dates of the transactions.

4. Securities Lending

The PUF loaned securities to certain brokers who paid the PUF negotiated lenders' fees. These fees are included in investment income. PUF receives U.S. Treasury obligations and/or cash as collateral against the loaned securities in an amount at least equal to 102% of the market value of the loaned securities. This collateral must be maintained during the period of the loan. There were no securities loaned as of August 31, 1995.

5. Investment Commitments

Unsettled trades for security purchases and unfunded contractual commitments for equity private placements was \$163 million at August 31, 1995.

Permanent University Fund

Notes to Summary of Investments and Summary of Investment Income (Cash Basis) (continued)

6. Index Funds

Market value of the index funds as of August 31, 1995 was approximately \$1,218 million. Included in these index funds are the Equity Index Fund B Lendable, which is indexed against the S&P 500 Index, and the Midcap Index Fund B Lendable, which is indexed against the S&P Midcap Index. These index funds are wholly owned by the University of Texas System's Long-Term Fund as well as the PUF, and have been accounted for using the equity method of accounting.



Proposed Amendments to the Regents' Rules and Regulations

- a. **Amend Part One, Chapter I, Section 7, Subsection 7.1 (Standing Committees) as set forth below:**

7.1 Standing Committees.--The following committees shall be standing committees of the Board to consider policies for the government of all major areas: (a) Executive Committee; (b) Business Affairs and Audit Committee; (c) Academic Affairs Committee; (d) Health Affairs Committee; (e) Facilities Planning and Construction Committee [~~;~~ ~~(f) Asset Management Committee~~].

- b. **Delete Part One, Chapter I, Section 7, Subsection 7.19 (Duties of the Asset Management Committee) in its entirety as set forth below:**

~~[7.19 Duties of the Asset Management Committee.
The Asset Management Committee shall:
7.191 Consider and make recommendations to the Board on all matters relating to the investment and investment properties of the Permanent University Fund and all other assets managed by the Office of Asset Management.
7.192 Recommend to the Board appointments and dismissals of members of the Investment Advisory Committee and of investment consultants and advisors.
7.193 Periodically report to the Board on the investment operations of The University of Texas System.
7.194 Counsel with the Chancellor and recommend Board action with respect to any recommendations related to the appointment, promotion, and dismissal of such System officers as are responsible for managing the investments of the System or any component thereof.]~~

- c. **Amend Part One, Chapter I, Section 8, Subsection 8.23 (Order of Business) as set forth below:**

8.23 Consideration of approval of items contained in reports of

standing committees.

- (a) Executive Committee
- (b) Business Affairs and Audit Committee
- (c) Academic Affairs Committee
- (d) Health Affairs Committee
- (e) Facilities Planning and Construction Committee

~~[(f) Asset Management Committee]~~

- d. Delete Part One, Chapter I, Section 9 (Executive Associate for Economic Affairs) in its entirety as set forth below and renumber the remaining sections accordingly.

~~[Sec. 9. Executive Associate for Economic Affairs.~~

~~9.1 The Executive Associate for Economic Affairs is elected by the Board, serves at the pleasure of the Board, reports to and is responsible to the Board, and receives such compensation as may be fixed by the Board.~~

~~9.2 Duties. The Executive Associate on a continuing basis conceives and develops long range plans and studies with respect to the development and management of economic affairs of the component institutions, and upon request, consults and advises with the Board and the Vice Chancellor for Asset Management regarding plans and studies and shall have such other duties and responsibilities as may be directed by the Board.]~~

- e. Amend Part One, Chapter II, Section 6 (Executive Vice Chancellor for Business Affairs), Subsections 6.2(10), 6.2(11), 6.2(14) and 6.2(15) (Duties and Responsibilities) as set forth below:

6.2(10) Managing the operations of the offices listed below through such internal administrative organization as he/she deems to be appropriate:
Office of the Associate Vice Chancellor for Business Affairs
Office of Historically Underutilized Business Development
Office of the Director of Police
Office of the Assistant Vice Chancellor and Controller
Budget Office
Office of Management

Information Systems
Office of Information
Services
Office of Business and
Administrative Services
Director of Accounting
regarding System
Administration accounts
Office of the Assistant Vice
Chancellor for Finance
Office of Facilities Plan-
ning and Construction
Office of Finance
~~Office of Endowment~~ Real
Estate Office regarding gift
~~[non-endowment]~~ and
campus real estate
Office of Human Resources
Office of Employee Group
Insurance Program
Office of West Texas Lands
Management
University Lands
Accounting Office
Surface Interests
Oil, Gas & Mineral
Interests.

6.2(11) Supervising and coordinating the acquisition, ~~[and/or]~~ disposition, and/or management of all gift ~~[nonendowment]~~ and campus lands at the component institutions and the U. T. System, except for Permanent University Fund Lands, with a view toward maximizing the income to be realized from the operation and/or sale of these properties. In discharging this responsibility the EVC for Business Affairs shall work closely with the appropriate EVC, the CAO of a component institution of the System and their delegates with regard to the management of trust lands and other non-campus real estate held by the Board of Regents for and on behalf of a particular institution. He shall also establish procedures that assure effective coordination with the Director of Estates and Trusts with regard to the management of trust lands other than Permanent University Fund Lands.

- 6.2(14) Implementing policy for the receipt, disbursement, and custody of non investment funds and[+] for terms of depository agreements with banks [;-and for custody of bearer securities owned by System funds that are maintained in bank safety deposit boxes and are not in custody with the State Treasurer].
- 6.2(15) Forwarding debt issues for approval by the Board of Regents [following the concurrence of the Vice Chancellor for Asset Management].

f. Delete Part One, Chapter II, Section 7 (Vice Chancellor for Asset Management) as set forth below in its entirety

~~[Sec. 7. Vice Chancellor for Asset Management.~~

~~The Vice Chancellor for Asset Management has responsibility for the management of all investment, endowment, trust, and endowment real estate assets of the System. The Offices of Asset Management, Investments, Endowment Management and Administration, and Endowment Real Estate report to and are responsible to the Vice Chancellor for Asset Management. The Vice Chancellor for Asset Management reports to and is responsible to the Chancellor. The Vice Chancellor for Asset Management has direct access to the Board of Regents and is expected to work directly with the appropriate committees of the Board in discharging the duties of the office.~~

~~7.1 Appointment and Tenure.~~

~~The Vice Chancellor for Asset Management shall be elected by an affirmative vote of a majority of the Regents in office upon nomination by the Chancellor. The Vice Chancellor for Asset Management shall hold office without fixed term, subject to the pleasure of the Chancellor. The Chancellor's actions concerning the Vice Chancellor for Asset Management are subject to review and approval by the Board.~~

~~7.2 Duties and Responsibilities.~~

~~The Vice Chancellor for Asset Management has responsibility for the management of trust and endowment lands and non campus~~

~~lands held in the name of the Board of Regents including the investment and management of trusts, trust assets, endowments, the Permanent University Fund and such other funds as may be assigned in such a manner as to maximize the monies available for excellence in all activities of the System. The Vice Chancellor for Asset Management will coordinate and cooperate with the Executive Vice Chancellor for Business Affairs in bringing to the Board recommendations on those policy issues which impact upon the asset management aspects of the Permanent University Fund Lands and shall provide to the Board of Regents through the Executive Vice Chancellor for Business Affairs an independent report and assessment of the System's ability to finance prospective debt issues. In consultation with the Chancellor, the Vice Chancellor for Asset Management shall prepare recommendations and supporting information on his or her responsibilities for consideration by the appropriate standing committees of the Board and the Board of Regents. The Vice Chancellor for Asset Management will coordinate and cooperate with the Office of General Counsel in the development and management of the Intellectual Property resources of the System.~~

~~7.3 Officers for Investments and Endowment Management and Administration.~~

~~The Vice Chancellor for Asset Management and his or her delegates, Executive Director for Investments and Executive Director of Endowment Management and Administration implement policies and actions approved by the Board with respect to:~~

~~7.31 Investing, managing, and administering all endowment funds belonging to the System and its component institutions, including the Permanent University Fund and all trusts and special funds.~~

~~7.32 Presenting to the Board through the Chancellor periodic reports of the status and prospect of funds for which he or she has responsibility and that will be available for expenditure by the System and its component institutions.~~

~~7.33 Consulting with the Executive Associate for Economic Affairs with~~

~~respect to the development of long-range plans for the development and management of the investments of the System and its component institutions.~~

~~7.4 Office of Endowment Real Estate~~

~~Subject to delegation by the Vice Chancellor for Asset Management, the Executive Director of Endowment Real Estate is responsible for the management of all real estate held in the name of the Board of Regents, except for Permanent University Fund Lands and campus real estate, with a view toward maximizing the income to be realized from the operation and/or sale of these properties. In fulfilling this responsibility, the Executive Director of Endowment Real Estate will:~~

~~7.41 Work closely with the appropriate Executive Vice Chancellor, the chief administrative officer of a component institution of the System and that officer's delegates with regard to the management of trust lands and other noncampus real estate interests held by the Board of Regents for and on behalf of a particular institution.~~

~~7.42 Establish procedures that insure effective coordination with the Executive Director for Endowment Management and Administration with regard to the management of trust lands other than University Lands.~~

~~7.43 Be responsible to the Executive Vice Chancellor for Business Affairs for the acquisition or disposal of nonendowment and campus lands.]~~

g. Amend Part Two, Chapter III, Section 4 (Local Institutional Funds), Subsections 4.11, 4.13, and 4.2 as set forth below:

4.11 Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. Depository and custody agreements may be negotiated and executed by UTIMCO [the Vice Chancellor for Asset Management] or the Executive Vice Chancellor for Business Affairs when such depository agreements are in substantially the

same form as a standard depository agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel and are with banks meeting the then current policies of the Board. Each chief administrative officer and chief business officer of a component institution or the Executive Vice Chancellor for Business Affairs may negotiate and execute contracts for banking services with banks which have entered into a depository agreement with the Board if the contract has been approved by the Office of General Counsel and the Office of Business Affairs.

- 4.13 Operating funds, as defined by The University of Texas System Operating Funds Investment Policy, shall be invested in compliance with that investment policy statement. Operating funds [~~held in bank common trust funds or money market funds~~] shall be invested in funds approved by UTIMCO [~~the Vice Chancellor for Asset Management~~] based on, at a minimum, the criteria specified in The University of Texas System Operating Funds Investment Policy. UTIMCO [~~The Vice Chancellor for Asset Management~~] shall administer pooled investment funds for the investment of operating funds as authorized by the Board. The chief business officer of any component institution may add or withdraw operating funds of the component to or from (i) demand deposits, time deposits, or non-negotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO [~~the Vice Chancellor for Asset Management~~] or (iii) any investment pool administered by UTIMCO [~~the Office of Asset Management~~] for the investment of such operating funds on any established addition or withdrawal date of the pool.

- 4.2 Depository banks selected shall furnish adequate surety bonds or securities to assure safety of these funds. Such securities shall be delivered by the

depository bank to an account in the name of the Board at a third-party depository(ies), bank(s) or trust company(ies) approved and contracted with by the Executive Vice Chancellor for Business Affairs [~~Vice Chancellor for Asset Management~~]. Local Funds shall be deposited in the depository banks or invested as soon as possible but in no event later than that provided by law. Demand deposits and time deposits will be maintained in accordance with the current policies of the Board.

h. Amend Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands), in its entirety as set forth below:

Sec. 1. Authority Regarding Assets.

- 1.1 Subject to the more specific provisions of other sections of the Regents' Rules and Regulations or specific Regental policies, the authority to manage and invest assets of or held by the U. T. System shall be as set forth below.
- 1.2 All assets, regardless of the nature of the asset, received through a bequest or through a distribution from an account held in trust by others shall be accepted and processed by the Office of Development and External Relations and invested by UTIMCO, except for gift real property which shall be managed by the Real Estate Office [~~managed by the Office of Asset Management~~] until appropriate distribution may be made to the beneficiary institution or to an endowment fund, a fund functioning as an endowment, or a life income or annuity fund.
- 1.3 All assets of the Permanent University Fund, excluding the real property of the Permanent University Fund, shall be managed by UTIMCO [~~the Office of Asset Management~~]. Real property of the Permanent University Fund shall be managed by the Office of Business Affairs.
- 1.4 All assets, regardless of the nature of the asset, received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO [~~the~~

~~Office of Asset Management]~~ until such funds terminate.

- 1.5 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:
 - 1.51 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component institution.
 - 1.52 UTIMCO ~~[The Office of Asset Management]~~ shall invest the Medical Liability Self-Insurance Fund ~~[as set out in this Chapter]~~ in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.
- 1.6 Except as provided in Subsection 1.2 of this Section, assets which are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, or a life income or annuity fund or consolidated System funds shall be managed as set forth below:
 - 1.61 Real property used for campus lands shall be managed by the chief administrative officer of the component institution subject to review by the Office of Business Affairs prior to requesting Board approval to acquire the property. Otherwise, non-campus real property ~~[and notes secured by a deed of trust]~~ shall be managed by the Real Estate Office ~~[the Office of Asset Management]~~.
 - 1.62 Tangible personal property shall be managed by the chief administrative officer of the component institution.
 - 1.63 Intangible personal property consisting of securities, interests in businesses, and equity interests

in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO [~~the Office of Asset Management~~]. Other intangible personal property shall be managed by the chief administrative officer of the component institution.

Sec. 2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.

- 2.1 Authority to Purchase, Exchange, and Sell Securities for and on Behalf of the Permanent University Fund (hereinafter sometimes referred to as "PUF") and the Board.--Pursuant to an Investment Management Services Contract, UTIMCO shall be [~~The Chancellor, or his or her delegate, the Vice Chancellor for Asset Management, the Executive Director for Fixed Income Investments, and the Portfolio Managers are~~] authorized to purchase, exchange, and sell any and all securities of any description whatever and from any source, including gifts and bequests, for and on behalf of the PUF or the Board. In addition, external investment managers appointed by UTIMCO [~~the Board of Regents~~] may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO [~~the Board of Regents~~].
- 2.2 Authority to Transact Through Investment Dealers.--Sales, purchases, and exchanges by UTIMCO shall be effected through investment dealers or brokers in accordance with the applicable Investment Policy Statement.
- 2.3 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--UTIMCO [~~The Chancellor, or his or her delegate, the Vice Chancellor for Asset Management, the Executive Director for Endowment Management and Administration, and the Director of the Office of Budget and Fiscal Policy~~] may [~~each~~] assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the

PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, custodian banks appointed by UTIMCO [~~the Vice Chancellor for Asset Management~~] may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the Board.

2.4 Authority to Execute Instruments Relating to Land and Mineral Interests.--The authority to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board is hereby authorized as follows:

(i) Real Estate or Mineral Interests held as part of the PUF, gift real estate or campus lands, and not held as part of an investment portfolio managed by UTIMCO:

The Chancellor or his or her delegate
The Executive Vice Chancellor for
Business Affairs or his or her
delegate.

~~[(ii) Real Estate or Mineral Interests held as part of any endowment, trust, or other fund excluding the PUF and campus lands:~~

~~The Chancellor or his or her delegate
The Vice Chancellor for Asset
Management
The Executive Director for Endowment
Real Estate.]~~

2.5 Authority to Receive and Collect Money and/or Property.--

(i) UTIMCO [~~The Chancellor, the Vice Chancellor for Asset Management, the Executive Director for Endowment Management and Administration, and~~

~~the Manager of Estates and Trusts are each]~~ is authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from investment transactions ~~[and bequests]~~, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any investment [bequest].

(ii) The Office of Estates and Trusts is authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from gifts and bequests, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any gift and bequest.

2.6 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.-- ~~UTIMCO is [The Chancellor, or his or her delegate, the Vice Chancellor for Asset Management, the Executive Director for Fixed Income Investments, the Executive Director for Endowment Management and Administration, and the Portfolio Managers are each]~~ authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.

2.7 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian

bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

Sec. 3. Policy for Investment and Management of the PUF.

- 3.1 The policies for the investment of funds for the Permanent University Fund shall be those outlined in The Permanent University Fund Investment Policy Statement.
- 3.2 Reports Regarding Asset Management.
~~[3.21 All purchases, sales, and exchanges of investments shall be reported for ratification by the Board via the Docket.]~~
- 3.21 [2] The investment performance of the PUF, as measured by an unaffiliated organization, shall be reported to the Board [Regents' Asset Management Committee] at least annually.
- 3.22 [3] The nature and extent of any investments in or business transacted with any firm with which a director, officer or employee [member] of UTIMCO [The University of Texas System investment staff] is affiliated will be reported to the Board [Regents' Asset Management Committee] annually.
- 3.3 UTIMCO is [The Chancellor, the Vice Chancellor for Asset Management, or the Executive Director for Fixed Income Investments are each] authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default or any other significant changes occurring with respect to any investment.
- 3.4 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.
- 3.41 Exercise of or sale of stock rights and warrants is to be made at the discretion of UTIMCO [the Chancellor, the Vice Chancellor for Asset Management, the Executive Director for Fixed Income Investments, or the Portfolio Managers. Stock rights or warrants which arise in connection with funds under control of an

~~unaffiliated investment manager shall be handled by that manager at its discretion].~~

3.42 Fractional shares which arise in connection with funds under control of UTIMCO ~~[an unaffiliated investment manager or the System investment staff]~~ shall be handled ~~[by that manager or the staff]~~ at its discretion.

3.43 As a general rule, voting stocks held are to be voted by UTIMCO pursuant to its proxy voting policy ~~[returning proxies to present management. When the Portfolio Managers or the Manager — Asset Strategy and Analysis determines that a vote with management would not be in the shareholder's best financial interest, or when a proposal under consideration is of a social nature, the matter will be referred to the Chancellor or the Vice Chancellor for Asset Management, or, in the event both of them are absent, to the Chairman of the Asset Management Committee].~~

Sec. 4. Policy for Investment and Management of [Other] U. T. Investment Pools.

4.1 The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.

4.2 The provisions of Sections 3.2, 3.3, and 3.4, with respect to the investment and management of the PUF, shall likewise apply to other U. T. investment pools.

~~[4.3 The Common Trust Fund shall be administered in a manner consistent with all provisions of the U. T. System Common Trust Fund Charter.]~~

4.3[4] The Operating Funds Short/Intermediate Term Fund shall be administered in a manner consistent with all provisions of The University of Texas System Operating Funds Short/Intermediate Term Fund Information Memorandum.

4.4[5] The Medical Liability Self-Insurance Fund shall be administered in a

manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.

4.5[6] Each pooled income fund established by U. T. shall be administered according to its trust indenture and applicable law.

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

5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.

5.2 Trust funds and other life income accounts will be invested and administered consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).

5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21[2] shall be applied only when such funds are invested through a U. T. investment pool.

~~[Sec. 6. Investment Advisory Committee. The Chancellor and the Vice Chancellor for Asset Management shall seek the advice and counsel of the Investment Advisory Committee at its regular quarterly meetings and at other times as appropriate on all of the major matters involving investments. The Investment Advisory Committee is and has been established in order~~

~~to assist and advise the Chancellor and the Vice Chancellor for Asset Management with respect to matters relating to the management of investments. The following rules shall apply to such Committee:~~

~~6.1 Membership. Seven members of the Committee shall be selected because of their particular qualifications and experience in the field of investments, including experience in bond and corporate stock investments.~~

~~6.2 Selection Procedure. Appointments to such Committee shall be made by the Board after recommendation by the Chancellor.~~

~~6.3 Term of Office. Each member shall serve a three year term, with the terms of two (or three as applicable) members expiring each August 31. A member is eligible for reappointment to a consecutive three year term but may not be reappointed thereafter without a three year break in service.~~

~~6.4 Meetings. Meetings shall be held quarterly and at such other dates as may be considered advisable by the Chancellor and the Vice Chancellor for Asset Management.]~~

i. Amend Part Two, Chapter XII (Intellectual Property), Section 3 as set forth below:

Sec. 3. Institutional Intellectual Property Advisory Committees, Office of General Counsel, and UTIMCO [Office of Asset Management].

3.2 Office of General Counsel.--The Office of General Counsel will have responsibility for all legal matters relating to intellectual property and will assist component institutions with respect to such matters. Among other responsibilities, the Office of General Counsel will secure protection for intellectual property when appropriate and will police infringements; maintain central databases and files of patent applications, issued patents, copyrights, licenses and agreements; coordinate with component institutions in negotiating and preparing license and other agreements; review and approve as to form all agreements relating to intellectual property; and coordinate with and

cooperate with UTIMCO [~~the Office of Asset Management~~] in all such matters.

3.3 UTIMCO [~~Office of Asset Management~~].--
UTIMCO [~~The Office of Asset Management~~]
will assist component institutions in
business and financial matters relating to
intellectual property; coordinate with
component institutions in evaluating
royalty and/or equity transactions and
review and approve agreements relating to
equity transactions; represent System on
boards of directors of entities in which
the Board holds equity and the right to a
board position; serve as a repository for
certificates of shares in entities in
which the Board holds equity and represent
the System's interest with respect
thereto; and coordinate with and cooperate
with the Office of General Counsel in all
such matters.

j. **Amend Part Two, Chapter XII (Intellectual Property),
Section 9, Subsection 9.3 as set forth below:**

Sec. 9. Approval of and Execution of Legal Documents
Relating to Rights in Intellectual Property.

9.3 The Chancellor, the appropriate Executive
Vice Chancellor, the Vice Chancellor and
General Counsel or the authorized
representative of UTIMCO [~~Vice Chancellor
for Asset Management~~] may execute, on
behalf of the Board, legal documents
relating to the Board's rights in
intellectual property, including, but not
limited to, declarations, affidavits,
powers of attorney, disclaimers, and other
such documents relating to patent
applications and patents; applications,
declarations, affidavits, affidavits of
use, powers of attorney, and other such
documents relating to trademarks;
applications for registration of and other
such documents relating to copyrights; and
license and assignment documents approved
by the Board pursuant to Subsections 9.1
or 9.2.

Executive Session of the Board

BOARD OF REGENTS
EXECUTIVE SESSION
Pursuant to Texas Government Code
Chapter 551, Sections 551.071, 551.072, and 551.074

Date: February 8, 1996

Time: 10:00 a.m. The Board will convene in Open Session and immediately recess to Executive Session. The Open Session will reconvene about 1:00 p.m. and continue through adjournment.

Place: Room 310 (Open Session) and Room 308 (Executive Session), Geological Sciences Building
U. T. El Paso

1. Pending and/or Contemplated Litigation - Section 551.071

U. T. Health Science Center - Houston:
Proposed Settlement of Medical Liability
Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 551.072

U. T. Medical Branch - Galveston: Pro-
posed Acceptance of Gift of St. Mary's
Hospital Facilities and Expression of
Appreciation to The Sealy & Smith
Foundation

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

U. T. M.D. Anderson Cancer Center: Con-
sideration of Recommendation of Hearing
Tribunal Regarding Termination of
Tenured Faculty Member