

Meeting No. 1,105

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

Pages 1 - 37

July 10, 2013

Austin, Texas

MEETING NO. 1,105

WEDNESDAY, JULY 10, 2013.--The members of the Board of Regents of The University of Texas System convened on Wednesday, July 10, 2013, at 2:00 p.m. in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Powell
Vice Chairman Foster
Vice Chairman Hicks
Regent Aliseda
Regent Cranberg
Regent Hall
Regent Pejovich
Regent Stillwell
Regent Horne, Student Regent, nonvoting

Absent

Regent Hildebrand

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

AGENDA ITEMS

1. U. T. System Board of Regents: Introduction of new Board members

Chairman Powell welcomed Regent Aliseda and Regent Horne to their first Board meeting.

[On February 21, 2013, Governor Rick Perry appointed or reappointed the following individuals to the Board of Regents of The University of Texas System for terms to expire as noted. Each appointment was confirmed by the Senate.

Reappointment of Mr. Paul L. Foster, El Paso, Texas, for a term to expire February 1, 2019. Mr. Foster took his oath of office on May 29, 2013.

Mr. Ernest Aliseda, McAllen, Texas, for a term to expire February 1, 2019, to succeed Mr. James D. Dannenbaum whose term expired on February 1, 2013. Mr. Aliseda took his oath of office on June 3, 2013.

Mr. Jeffery D. Hildebrand, Houston, Texas, for a term to expire February 1, 2019, to succeed Mr. Printice L. Gary whose term expired on February 1, 2013. Mr. Hildebrand took his oath of office on May 29, 2013.]

[On May 6, 2013, Governor Rick Perry appointed Mr. Nash M. Horne, Austin, Texas, as Student Regent on the Board of Regents of the U. T. System to serve for a term from June 1, 2013 to May 31, 2014. Mr. Horne is a fourth-year undergraduate at The University of Texas at Austin studying Political Communications in the College of Communication.]

2. U. T. System Board of Regents: Chairman's announcement of interim appointments

For this meeting, Chairman Powell appointed Vice Chairman Hicks as Interim Chairman of the Facilities Planning and Construction Committee.

WELCOME TO DR. VISTASP M. KARBHARI, PRESIDENT AT U. T. ARLINGTON.-- Chairman Powell welcomed Dr. Vistasp M. Karbhari to his first Board of Regents' meeting as President of The University of Texas at Arlington.

RECESS.--At 2:05 p.m., Chairman Powell announced the Board would recess for meetings of the Standing Committees.

STANDING COMMITTEE REPORTS TO THE BOARD.--At 3:00 p.m., Chairman Powell announced the Board would hear the report and recommendations of the Standing Committees, which are set forth on Pages 3 - 5.

REPORT OF THE ACADEMIC AFFAIRS COMMITTEE (Page 3).--Committee Chairman Hicks stated that there were no items from the Academic Affairs Committee to report in open session.

1. U. T. Dallas: Progress on implementation of the Framework for Advancing Excellence throughout The University of Texas System

This item was for consideration only by the Committee (see Committee Minutes).

2. U. T. System: Presentation by MyEdu on connections with employers to U. T. System students

This item was for consideration only by the Committee (see Committee Minutes).

REPORT AND RECOMMENDATION OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 4 - 5).--Interim Committee Chairman Hicks reported that the Facilities Planning and Construction Committee met in open session to consider the matter on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the action set forth in the Minute Order that follows was recommended by the Facilities Planning and Construction Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. Austin: Freestanding Blanton Art Repository - Amendment of the FY 2013-2018 Capital Improvement Program to include project (Preliminary Board approval)

The Board amended the Fiscal Year 2013-2018 Capital Improvement Program (CIP) to include the Freestanding Blanton Art Repository project at The University of Texas at Austin as follows:

Project No.:	102-778	
Project Delivery Method:	Design-Build	
Substantial Completion Date:	March 2015	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Gifts	\$8,000,000

Investment Metrics: By March 2015

- Provide 3,600 gross square feet (GSF) of public art space to benefit student experience and increase visibility of the Jack S. Blanton Museum of Art

The Jack S. Blanton Museum of Art at U. T. Austin will acquire and construct a permanent freestanding repository conceived by one of the world's most renowned living artists. As envisioned, this structure will become a repository that will contain 15 artworks by the same artist, to be obtained and installed separately. The artist's concept is to construct the repository north of the Blanton Museum, taking the form of approximately a 60' by 60' enclosure. Public access will be possible around and inside the structure. It is anticipated this building will become a satellite of the Museum, relying on many of the support spaces and functions that the Museum already provides, such as restrooms and security. The enclosure is to be fairly small, approximately 3,600 GSF, but detailed construction documents will be prepared by an architect who has experience working in close collaboration with other leading artists because it will be critical for the architect to faithfully execute the artist's design for the enclosure.

This project has been approved by The University of Texas System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

A negotiated gift related to this project was approved (see Executive Session Item 2a on Page 23).

2. U. T. Dallas: Bioengineering and Sciences Building - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval) (Deferred)

The item related to the proposed Bioengineering and Sciences Building project at The University of Texas at Dallas was deferred.

APPROVAL OF STANDING COMMITTEE RECOMMENDATION.--At 3:02 p.m., the Board voted and approved the recommendation of the Facilities Planning and Construction Committee. There was no report from the Academic Affairs Committee.

AGENDA ITEMS

3. U. T. System Board of Regents: Approval of Consent Agenda items

The Board approved the Consent Agenda, which is set forth on Pages 25 - 37.

In approving the Consent Agenda, the Board expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective University of Texas System institution involved.

WELCOME TO LEGISLATORS.--Chairman Powell welcomed the following legislators who were in attendance at the meeting regarding the proposed new university in South Texas (Items 4 and 5). He thanked the legislators for their help in this effort, and both Senator Lucio and Senator Hinojosa spoke briefly following the votes on both items.

- Senator Juan “Chuy” Hinojosa
- Senator Eddie Lucio, Jr.
- Representative Robert “Bobby” Guerra
- Representative Terry Canales

4. U. T. System Board of Regents: Approval of guiding principles for the new university in the Rio Grande Valley

Following comments by Executive Vice Chancellor Reyes, by Regent Stillwell as the Board’s Liaison on South Texas/Border Initiatives, and by Chancellor Cigarroa, the Board approved the guiding principles for the new university in the Rio Grande Valley as set forth on Pages 8 - 9. Dr. Cigarroa thanked the legislators for their assistance on the passage of Senate Bill 24, which, he said, turns the vision of a university in South Texas into a reality.

The 83rd Texas Legislature approved the creation of the new university in South Texas. The new vision for higher education in the Rio Grande Valley (RGV) is as follows:

- A university of the 21st century that uses blended and online learning and new and highly technologically-equipped classrooms, reducing or eliminating regional barriers to access, while maintaining campuses in Cameron and Hidalgo counties;
- A new university that will be quickly competitive with the State's emerging research universities in student population, research expenditures, and endowment, and have the second largest Hispanic enrollment of any university in the nation;
- A new model of distributed medical education that builds on the strengths of the existing programs and resources of the Regional Academic Health Center (RAHC), now provided through The University of Texas Health Science Center at San Antonio, and that has a presence in multiple locations, including Cameron and Hidalgo counties;
- An opportunity for synergy in educational programs and efficiency in administration; and
- An opportunity to unite the communities of the RGV in a common enterprise in a way not previously envisioned, to the benefit of the whole Valley and the State.

Guiding Principles

The new University of Texas in the Rio Grande Valley will provide an outstanding education to the students of South Texas, Texas, the United States and the world. This education will be of the highest quality; it will be affordable, accessible and innovative. The new university will transform Texas and the nation by becoming a leader in student success, teaching, research, and health care.

Goals / Guiding Principles

- *Fully integrate next generation technology and customized learning to increase affordability and maximize student success.*
- *Promote access to postsecondary education to a diverse student body to become one of the largest and most successful Hispanic-serving institutions in the United States.*
- *Employ the highest quality faculty members and staff who pursue global excellence in teaching, research, health care, and service.*
- *Streamline academic and administrative programs and redesign processes to increase productivity and promote a student- and service-centered mode of operation.*
- *Promote arts and humanities programs to produce state, national, and world leaders who are bicultural, bilingual, and biliterate.*
- *Develop programmatic strength in the areas of science, technology, engineering, mathematics, and health.*
- *Develop a Medical School of the first class, with outstanding undergraduate and graduate medical education, public health, health professional degrees, and clinical research to improve the health of the community.*
- *Become a global leader in higher education, health education, biomedical research, emerging technology, and preparing students to be lifelong learners.*
- *Pursue applied and translational research to address critical local, state, national, and global needs.*
- *Build on the excellent economic activity and strength of the State of Texas and benefit from the State's leadership in the world.*
- *Provide a leadership role in fostering economic and community partnerships to help solve local, state, national, and global problems.*

- *Promote innovation and knowledge discovery with business and industry that will lead to job growth and improvements in the quality of the region's workforce.*
- *Build a hub for inventions and intellectual property that will lead to economic and community prosperity and an improved quality of life for the region, the state, the nation, and the world.*
- *Serve as a "Gateway to the Americas" by cultivating partnerships with global leaders in education, health, research, and other strategic, high-growth industries.*
- *Leverage the size, strength, and excellence of The University of Texas System and its fifteen outstanding institutions to shorten the time it takes to achieve these goals.*

5. U. T. System and U. T. Brownsville: Authorization to enter into the following series of related real estate transactions in Brownsville, Cameron County, Texas:
- (A) Acquisition from Texas Southmost College (TSC) District of:
- (1) approximately 24.14 acres on the north side of West University Drive, 17.42 acres on the south side of West University Drive, and 7.3 acres comprising Lots 1, 3, and 4 of the Resubdivision of Lot 1, Block 2, Southmost Union College District Subdivision, together with all improvements located on the land including University Boulevard Library, University Boulevard Classroom Building, and the Student Union Building;
 - (2) Lot 1, Block 1, University Park Subdivision, Unit 1; and Lots 5 through 7, 9 through 11, 18 through 24, and 32 through 34, Block 12, and Lots 1 through 7, 10, 11, and 16, Block 16, in the Colonia Alta Vista Addition, some improved with surface parking lots; and
 - (3) the leasehold interest of TSC in and to approximately 17 acres under Land Lease No. IMB 97-43 from the International Boundary and Water Commission;
- (B) Transfer to TSC District of:
- (1) the Science, Engineering, and Technology Building located on the north side of Ringgold Road, together with U. T. Brownsville's leasehold interest in approximately 3.8 acres on which the building is located;
 - (2) U. T. Brownsville's interest in a contract to purchase the former National Guard Armory property on Ringgold Road; or, in the alternative, a conveyance to TSC of the Armory property if U. T. Brownsville closes on the purchase of the Armory property before the closing of the exchange transactions; and
 - (3) cash in an amount to compensate TSC for the difference in values between the exchange parcels and for other matters related to the exchange transactions; and
- (C) Appropriation of funds and authorization of the expenditure of funds in a total amount not to exceed the transaction costs from a combination of Revenue Financing System debt proceeds and Permanent University Fund debt proceeds, and making findings regarding the issuance of parity debt

On behalf of The University of Texas System and The University of Texas at Brownsville, the Board authorized the following:

- a. acquire from TSC District:
- (1) approximately 24.14 acres on the north side of West University Drive, 17.42 acres on the south side of West University Drive, and 7.3 acres comprising Lots 1, 3, and 4 of the Resubdivision of Lot 1, Block 2, Southmost Union College District Subdivision, together with all improvements located on the land including University Boulevard Library, University Boulevard Classroom Building, and the Student Union Building;

- (2) Lot 1, Block 1, University Park Subdivision, Unit 1; and Lots 5 through 7, 9 through 11, 18 through 24, and 32 through 34, Block 12, and Lots 1 through 7, 10, 11, and 16, Block 16, in the Colonia Alta Vista Addition, some improved with surface parking lots; and
 - (3) the leasehold interest of TSC in and to approximately 17 acres under Land Lease No. IMB 97-43 from the International Boundary and Water Commission;
- b. transfer to TSC District:
- (1) the Science, Engineering, and Technology Building located on the north side of Ringgold Road, together with U. T. Brownsville's leasehold interest in approximately 3.8 acres on which the building is located;
 - (2) U. T. Brownsville's interest in a contract to purchase the former National Guard Armory property on Ringgold Road; or, in the alternative, a conveyance to TSC of the Armory property if U. T. Brownsville closes on the purchase of the Armory property before the closing of the exchange transactions; and
 - (3) cash in an amount to compensate TSC for the difference in values between the exchange parcels and for other matters related to the exchange transactions;
- c. authorize the Executive Director of Real Estate to execute all documents, instruments, ancillary agreements, and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing actions and accomplish the exchange transactions and the related transactions described in this Item;
- d. appropriate funds and authorize expenditure of funds in a total amount not to exceed the transaction costs from a combination of Revenue Financing System debt proceeds and Permanent University Fund debt proceeds; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
- parity debt shall be issued to fund a portion of the transaction costs, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;

- U. T. Brownsville, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of parity Revenue Financing System debt in the aggregate amount not to exceed transaction costs; and
- this action satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

On May 9, 2013, the Board of Regents directed U. T. System and U. T. Brownsville staff to continue negotiations with TSC for a series of land and building exchanges that would enable the U. T. System to maintain a campus in downtown Brownsville as the Board begins the planning for the new University of Texas of the Rio Grande Valley. The Board directed staff to bring the proposed transactions back to the Board when terms of the agreement with TSC were finalized and funding sources identified.

The staff negotiations resulted in the final transactions that are described below. The transactions will result in a delineation of the U. T. Brownsville and the TSC campuses, with Ringgold Road generally serving as the dividing line between the TSC campus to the northwest of Ringgold Road and the U. T. Brownsville campus to the southeast of Ringgold Road. That delineation consolidates U. T. Brownsville's campus with its Casa Bella student housing and its approximately 114.1 acres to the east.

Completion of the exchange transactions with TSC, together with the possible future acquisition over time of various other parcels, would result in a compact urban campus consisting of a "West Campus" of approximately 206.6 acres located southwest of U.S. Highways 77/83 and an "East Campus" of the approximately 114.1 acres located east of U.S. Highways 77/83. A map of the exchange parcels appears on Page 16.

The final proposal for the TSC exchange transactions is consistent with the direction given by the Board in May 2013. The U. T. System Board of Regents will receive the following land and improvements in the exchange transactions with TSC:

1. Approximately 24.14 acres (**Parcel A** on the attached map) on the north side of West University Boulevard, including the land on which U. T. Brownsville's Education and Business Complex is located, and including TSC's University Boulevard Library (constructed in 2008) and University Boulevard Classroom Building (constructed in 2009) that are located on the land;
2. Approximately 17.42 acres (**Parcel B**) on the south side of West University Boulevard and improved with a surface parking lot;

3. Approximately 1.2 acres (**Parcel C**) on the southeast side of Ringgold Road and including the Student Union Building (constructed in 2002);
4. Approximately 6.1 acres (**Parcel D**) west of East 24th Street and improved with a surface parking lot and on which the old compress building is located;
5. Lot 1, Block 1, University Park Subdivision, Unit 1 (**Parcel E**), across East Jackson Street from U. T. Brownsville's Casa Bella student housing;
6. Lots 5 through 7, 9 through 11, 18 through 24, and 32 through 34, Block 12, and Lots 1 through 7, 10, 11, and 16, Block 16, all in the Colonia Alta Vista Addition to the City of Brownsville, Texas, some improved with surface parking lots (**Parcel F**); and
7. A partial assignment of TSC's leasehold interest in Land Lease Contract No. IMB 97-43 from the International Boundary and Water Commission, which partial assignment will include approximately 17 acres consisting of all of the five tracts identified in the initial lease as Tracts 5, 6, 7, 8, and 9 and a portion of Tract 1 (**Parcel G**); the leased land is adjacent to and underlying a portion of U. T. Brownsville's Life and Health Sciences complex and Biomedical Research and Health Professions complex.

TSC will receive the following land, improvements, and cash in the exchange transactions:

1. the Science, Engineering, and Technology Building built by U. T. Brownsville in 1997 (\$16,315,809 in-kind value) on land leased from TSC, and U. T. Brownsville's leasehold interest in the approximately 3.8 acres on which the building was constructed (**Parcel H**);
2. a cash settlement of approximately \$28,531,157 (and not to exceed \$30 million without further Board approval), calculated as follows:
 - a. approximately \$12,798,202, representing the value of the land received by U. T. Brownsville; the final value will be determined by multiplying \$5.75 times the actual square footages in Parcels A through F as calculated by surveys that will be obtained before closing of the transactions;
 - b. \$12,882,955, representing the difference between the value of the buildings to be received by U. T. Brownsville and the single building to be conveyed to TSC;
 - c. \$1,200,000, representing a reimbursement to TSC for the soccer field improvements it previously made on U. T. Brownsville's East Campus; and
 - d. \$1,650,000, representing compensation to TSC for other expenses in the exchange transactions, including compensation to enable TSC to construct replacement parking facilities and to purchase the National Guard Armory property; U. T. Brownsville's current contract to purchase the Armory from the City of Brownsville will be assigned to TSC; or, in the alternative, if U. T. Brownsville acquires the Armory property before the closing of the exchange transactions and then conveys the Armory property to TSC as a part of the exchange transactions, then the \$1.65 million cash payment will be reduced to \$1.2 million; the Board approved U. T. Brownsville's acquisition of the Armory property on November 15, 2012.

The funding source for the payment of the acquisition and settlement costs to be paid to TSC by U. T. System and U. T. Brownsville will be a combination of Revenue Financing System debt proceeds and Permanent University Fund debt proceeds.

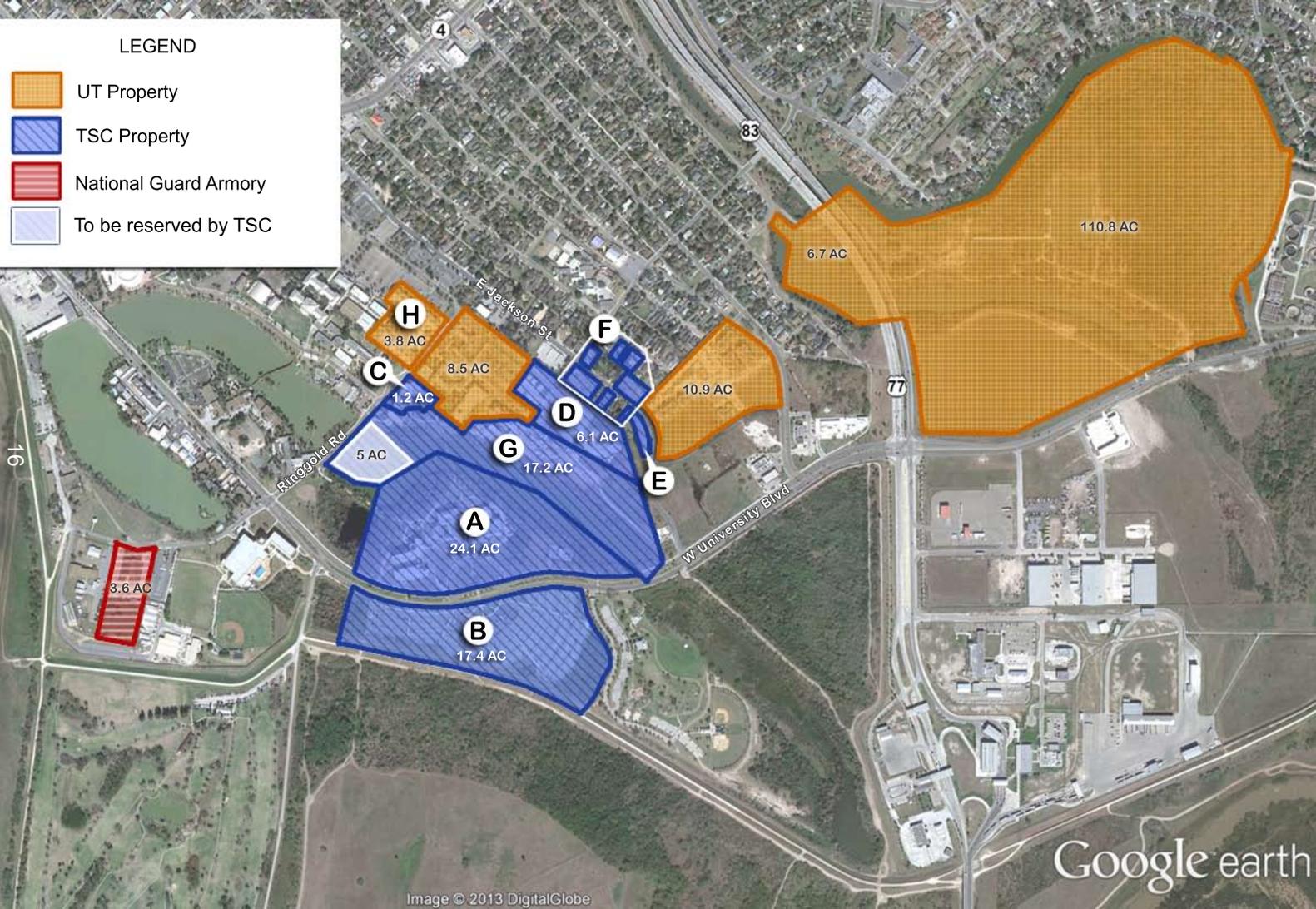
As a result of the property exchanges, and as the institutions continue to progress toward an orderly dissolution of the partnership in August 2015, there will be several ancillary agreements that are a part of this exchange transaction and that will be executed contemporaneously with the land and building exchanges, including the following:

1. Reciprocal rights of first offer for approximately 40 years to enable the transferring party to repurchase the land and buildings that are being transferred to the other party by this series of exchange transactions should the receiving party subsequently determine that it wishes to sell all or some portion of that property.
2. A bill of sale that will divide personal property between the parties. TSC and U. T. Brownsville staff are in the process of determining ownership and future use of personal property.
3. A settlement agreement that will address numerous issues related to the land and building exchanges, including the following:
 - (a) each party will meter and pay for chilled water received from the other party's thermal plant;
 - (b) TSC will defease its bonds on the Student Union Building that is to be conveyed to the Board and eliminate any obligation on the part of U. T. Brownsville to collect a Student Union fee;
 - (c) each party will grant reciprocal easements to the other party for those utility lines that serve the other party's property;
 - (d) U. T. Brownsville will permit TSC students to access the University Boulevard Library through August 2016, with the possibility of subsequent access on future terms to be agreed upon;
 - (e) TSC will permit U. T. Brownsville students to access the Wellness Center in the Recreation, Education, and Kinesiology Center in exchange for U. T. Brownsville paying its pro rata share of debt service and maintenance and operations expenses on the center; TSC will retain in a dedicated fund the student fees that it has collected in excess of debt service and operating costs and use that fund to fully defease the bonds on the facility at the earliest date feasible; and
 - (f) each party will share in the ongoing maintenance of the border fence on the campus based on which party owns the land on which the particular portion of the fence is located.
4. A lease to TSC that will permit TSC to use laboratory space in U. T. Brownsville's Life and Health Sciences Building on terms similar to the lease of space by TSC to U. T. Brownsville in certain TSC-owned buildings. The Board approved the lease from TSC to U. T. Brownsville on May 9, 2013.

5. An amendment and assignment of a management and operation agreement with Barnes and Noble College Bookstores, Inc., presently with the UTB/TSC partnership, that will permit U. T. Brownsville to solely manage this contract for its remaining duration.

LEGEND

- UT Property
- TSC Property
- National Guard Armory
- To be reserved by TSC



6. U. T. Austin: Report on naming of the Center for Latin American Law to honor former U.S. Senator Kay Bailey Hutchison

Before calling on President Powers for remarks on the naming of the Center for Latin American Law at The University of Texas at Austin to honor former U.S. Senator Kay Bailey Hutchison, Chairman Powell noted the Board's appreciation of the many contributions Senator Hutchison has made to the State of Texas, to The University of Texas System, and to U. T. Austin during her time in Washington, D.C.

Remarks by President Powers
(essentially as delivered)

Today it is my distinct honor to announce the naming of the Kay Bailey Hutchison Center for Latin American Law at U. T. Austin. Eleven years ago, when I was the Dean of the Law School, Senator Hutchison approached me with the idea of establishing a center for Latin American law at U. T. Austin. A center of expertise in Latin American law is important, and as this would dovetail nicely with our many other specialties in Latin America, U. T. Austin was the natural choice.

The Center will support faculty and student exchanges and promote teaching and research on Latin American legal issues.

The University of Texas also has had a long and cherished relationship with the Senator. Her contributions to public life are extensive and broad. After being a very active student on the Forty Acres, she eventually served in the Texas House of Representatives in the 1970s and as State Senator in the early 1990s. In 1993, she became the first woman to represent Texas in the U.S. Senate, where she served as a powerful force for Texas and for The University of Texas and all of its components for 18 years. During her time in office, federal research dollars to U. T. totaled \$4.5 billion.

In 2004, she cofounded The Academy of Medicine, Engineering and Science of Texas (TAMEST). As a prelude to the founding of the center, a Chair in Latin American Law was established in her honor in 2004, and we have been raising money to endow the Center ever since, with fundraising events in Dallas, Houston, Austin, and Washington, D.C. Today, the total market value of this Chair stands at more than \$2.5 million.

She is a Distinguished Alumna who twice has served as our commencement keynote speaker. She is the author of several inspiring books on women in American and Texas history. And lest we ever forget -- she was and will always be a U. T. cheerleader.

We are fortunate that U. T. Austin is where she has chosen to leave a legacy at this point in her career. This is an exciting new venture and new Center, and I thank everyone who has contributed to its creation.

7. U. T. System Board of Regents: Legislative update for the 83rd Legislative Session and recognition of staff of Office of Governmental Relations (Deferred)

The item related to an update on the 83rd Texas Legislature, Regular Session, was deferred.

8. U. T. System Board of Regents: Announcement of appointment of University Lands Advisory Committee

Chairman Powell said that he and Chancellor Cigarroa were pleased to announce the formation of a new University Lands Advisory Committee, charged with suggesting value-added recommendations that may be employed in the management of the Permanent University Fund (PUF) Lands. The charge for the work of the Committee follows on Pages 19 - 20.

Noting the Board's appreciation for their willingness to share their insights and expertise as oil industry leaders to assist with enhanced management of PUF lands and resources used strategically to improve campuses and educate students, Chairman Powell announced the members of the Committee as follows:

- Former Secretary of Commerce and U. T. System Board Chairman Donald Evans;
- Former Regents Printice Gary and Robert Rowling;
- Former Texas A&M University System Regent Steve Stevens; and
- Energy executive Jon Brumley.

University Lands Advisory Committee

Background

The Board of Regents of The University of Texas System (BOR) is responsible for all Permanent University Fund Lands (PUF Lands) surface and mineral operations as well as the collection of all revenue. Many of the routine duties have been delegated by the BOR to the Executive Vice Chancellor for Business Affairs and the Executive Director of University Lands.

Oil and gas leasing of the PUF Lands has been administered by the Board for Lease of University Lands (BFL) since 1929. The authorizing statute has very strict guidelines for appointment to the BFL. The most pertinent to this discussion is that no member of the BFL can be directly involved in the oil and gas business. While this has worked well, there are times when oil industry expertise would be beneficial to the BFL. Because the business climate in the oil and gas industry is changing rapidly, now is a great time for the BFL and University Lands staff to benefit from the contemporary insight of oil industry leaders.

Purpose

The University Lands Advisory Committee (Advisory Committee) will be an advisory arm to the BOR, the BFL, and to the U. T. System Administration, and serves at the pleasure of and reports to the Chancellor of The University of Texas System. The primary benefit of the Advisory Committee is to increase the level of expertise and to suggest value-added recommendations that could be employed in the management of the PUF Lands. The Advisory Committee is not intended to be involved in day-to-day management of the PUF Lands or to decrease the authority of the BOR or the BFL, but rather is intended to increase the knowledge by which both Boards may act.

The work of the Advisory Committee includes:

- Reviewing the operational and strategic direction of University Lands and making recommendations for improvement;
- Reviewing the existing organization structure of University Lands and making recommendations for improvement;
- Reviewing hiring policies and compensation/benefit structures and making recommendations for improvement;

- Reviewing existing policies and procedures for improvement;
- Reviewing existing lease terms and bid strategies for oil and gas leases and auctions;
- Reviewing standard form contracts and strategies for development such as pooling or unitization;
- Reviewing existing terms and contracting strategies for surface leases and easements; and
- Working with University Lands staff on all other activities as requested by the Chancellor or the Executive Vice Chancellor for Business Affairs of the U. T. System.

Qualifications for Advisory Committee Members

- Expertise in oil and gas, real estate or finance;
- No impermissible conflict of interest. An impermissible conflict of interest is defined as an economic interest of 5% or more in any project on PUF Lands, including stock ownership, or an economic interest of 5% or more in the operator of any project on PUF Lands, including stock ownership;
- Successful completion of a conflict of interest disclosure questionnaire provided by the U. T. System; and
- Invited by the Chancellor of the U. T. System or his designee, the Executive Vice Chancellor for Business Affairs.

Organization

The Advisory Committee is composed of five (5) members, who meet twice per year or at the request of the Chancellor, the BOR, or the BFL, as needed. Meetings are typically held in Austin or Midland, Texas. Members serve as volunteers and are reimbursed for routine business and travel expenses only per U. T. System policy.

Committee Members

Mr. I. Jon Brumley, Bounty Investments, LP, Ft. Worth, Texas

Secretary Donald L. Evans, The Don Evans Group, Ltd., Midland, Texas

Mr. Printice L. Gary, Carleton Residential Properties, Dallas, Texas

Mr. Robert B. Rowling, TRT Holdings, Inc., Irving, Texas

Mr. R. H. "Steve" Stevens, Jr., Stevens & Matthews LLP, Houston, Texas

9. U. T. System: Announcement of health institution recipients of the 2013 Regents' Outstanding Teaching Awards and remarks by representative faculty

Health Affairs Committee Chairman Stillwell introduced two recipients of the 2013 Regents' Outstanding Teaching Awards for The University of Texas System health institutions who presented at the meeting. (Dr. Lichtenstein's PowerPoint is [on file](#) in the Office of the Board of Regents.)

- Michael J. Lichtenstein, M.D., M.Sc.
Professor of Medicine and Chief of Division of Geriatrics,
Gerontology and Palliative Medicine
F. Carter Pannill, Jr. Professor in Internal Medicine
Institute for the Integration of Medicine and Science
The University of Texas Health Science Center at San Antonio
- Laura Rudkin, Ph.D.
Professor and Interim Chair
Department of Preventive Medicine and Community Health
The University of Texas Medical Branch at Galveston

The Board established the Regents' Outstanding Teaching Awards on August 14, 2008, to recognize and reward faculty members who serve undergraduate students in an exemplary manner. The Board allocated \$2 million per annum for five years beginning Fiscal Year 2009 for teaching awards at the academic institutions.

On August 25, 2011, the Board of Regents authorized \$6 million to expand the Regents' Outstanding Teaching Awards program to faculty at the six health institutions. The program is funded at \$1 million per year for Fiscal Years 2012 to 2017. Each year the U. T. System will make no more than 40 awards of \$25,000 each to outstanding faculty members at the health institutions.

There are a wide variety of academic programs and settings (classroom, hospital and clinic, community and research lab) in which faculty educate, train, and mentor students, residents, and fellows. Each of the six health institutions nominate their most deserving faculty and the award recipients are selected by a thorough peer review process.

RECESS TO EXECUTIVE SESSION.--At 3:48 p.m., Chairman Powell announced that the Board would convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.073, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 5:37 p.m., the Board reconvened in open session for the following actions taken on matters discussed in Executive Session.

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

No action was taken on this item.

1b. U. T. Austin: Discussion with Counsel and appropriate action regarding legal issues concerning the U.S. Supreme Court ruling in *Fisher v. State of Texas, University of Texas at Austin, et al.*

No action was taken on this item.

1c. U. T. Austin: Discussion and appropriate action regarding legal issues related to relationship between School of Law and Law School Foundation

No action was taken on this item.

1d. U. T. Health Science Center - San Antonio: Discussion and appropriate action regarding legal issues concerning the institution's participation in a children's hospital

No action was taken on this item.

1e. U. T. Southwestern Medical Center and U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding legal issues concerning potential settlement of the Estate of Jeanne Shelby

Regent Stillwell moved that the Board authorize the Vice Chancellor and General Counsel to settle the claims related to the Estate of Jeanne Shelby, on behalf of The University of Texas Southwestern Medical Center and The University of Texas M. D. Anderson Cancer Center, within the parameters recommended in Executive Session and to execute appropriate documents after consultation with the Chancellor, the Executive Vice Chancellor for Health Affairs, and the respective Presidents.

The motion was duly seconded and carried by acclamation.

1f. U. T. System Board of Regents: Discussion and appropriate action related to legal issues concerning access to information and methods for acquiring information

This item was not included in the agenda materials, but was posted with the Secretary of State. No action was taken on this item.

2a. U. T. Austin: Approval of proposed negotiated gifts with potential naming features

Upon motion by Vice Chairman Hicks, seconded by Regent Stillwell, the Board authorized the Presidents of The University of Texas at Austin, The University of Texas Medical Branch at Galveston, and The University of Texas M. D. Anderson Cancer Center and the Vice Chancellor for External Relations to conclude negotiations necessary to finalize and accept gifts to benefit those institutions with potential naming features consistent with the terms outlined in Executive Session.

Included in this motion was a negotiated gift related to the Freestanding Blanton Art Repository project at U. T. Austin (see Item 1 in the Facilities Planning and Construction Committee on Page 4).

The motion carried unanimously.

2b. U. T. Tyler: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features (Withdrawn)

This item was withdrawn by the institution prior to the meeting.

2c. U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

See Item 2a regarding approval of this item.

2d. U. T. M. D. Anderson Cancer Center: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features

See Item 2a regarding approval of this item.

3. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No action was taken on this item.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on August 21-22, 2013, in Austin, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 5:39 p.m.

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

July 30, 2013

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7/10/2013
Austin, Texas

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THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS

CONSENT AGENDA

Board Meeting:

7/10/2013

Austin, Texas

U. T. SYSTEM ADMINISTRATION

1. Resolution - U. T. System Board of Regents: Adoption of resolution regarding the list of Key Management Personnel authorized to negotiate, execute, and administer classified government contracts (Managerial Group) to reflect names and terms of new Regents

To comply with the Department of Defense National Industrial Security Program Operating Manual (NISPOM) requirements, the revised resolution regarding exclusion of individuals from the list of Key Management Personnel (KMP) authorized to negotiate, execute, and administer classified government contracts, was approved as set forth below. The revision adds the names of the new Regents and the name and term of the new Student Regent.

A Resolution amending the Managerial Group list was last adopted by the Board of Regents on May 3, 2012.

NISPOM defines KMP as "officers, directors, partners, regents, or trustees." The Manual requires that the senior management official and the Facility Security Officer must always be designated as part of the Managerial Group and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material.

RESOLUTION

BE IT RESOLVED:

- a. That those persons occupying the following positions at The University of Texas System and The University of Texas at Austin shall be known as the Managerial Group, having the authority and responsibility for the negotiation, execution,

and administration of Department of Defense (DoD) or User Agency contracts, as described in DoD 5220.22-M, "National Industrial Security Program Operating Manual" (NISPOM):

Francisco G. Cigarroa, M.D., Chancellor, The University of Texas System
William C. Powers, Jr., President, The University of Texas at Austin
Juan Miguel Sanchez, Vice President for Research, The University of Texas at Austin

Susan W. Sedwick, Associate Vice President for Research and Director, Office of Sponsored Projects, The University of Texas at Austin

Neil S. Fox II, Facility Security Officer, The University of Texas System

The Chief Executive Officer (i.e., the Chancellor) and the members of the Managerial Group have been processed, or will be processed, for a personnel security clearance for access to classified information to the level of the facility security clearance granted to this institution, as provided for in the NISPOM.

The Managerial Group is hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified information under classified contracts of the DoD or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin.

- b. That the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of U. T. System, including U. T. Austin, and do not occupy positions that would enable them to affect adversely the policies and practices of U. T. System, including U. T. Austin, in the performance of classified contracts for the Department of Defense or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin, and need not be processed for a personnel security clearance:

Members of the U. T. System Board of Regents:

William Eugene Powell, Chairman

Paul L. Foster, Vice Chairman

R. Steven Hicks, Vice Chairman

Ernest Aliseda

Alex M. Cranberg

Wallace L. Hall, Jr.

Jeffery D. Hildebrand

Brenda Pejovich

Robert L. Stillwell

Nash M. Horne, Student Regent from June 1, 2013 to May 31, 2014 (nonvoting)

2. Employment Agreement - U. T. System: Appointment of Stephanie A. Bond Huie, Ph.D., as Vice Chancellor for Strategic Initiatives

The employment agreement summarized below has been awarded, has been approved by the Chancellor, and is recommended for approval by the U. T. System Board of Regents.

Item: Vice Chancellor for Strategic Initiatives

Funds: \$265,000 annually

Period: Beginning July 10, 2013

Description: Agreement for employment of Stephanie A. Bond Huie, Ph.D., as Vice Chancellor for Strategic Initiatives. The Vice Chancellor for Strategic Initiatives reports to and is responsible to the Chancellor and shall hold office without fixed term, subject to the pleasure of the Chancellor. U. T. System will reimburse monthly dues, professional memberships, continuing education, as well as reasonable travel related to U. T. business. The employment agreement is on the following page.



The University of Texas System

Nine Universities. Six Health Institutions. Unlimited Possibilities.

Office of the Chancellor

601 Colorado Street, Austin, Texas 78701-2982
Phone: 512 499 4201 Fax: 512 499 4215

June 3, 2013

Dr. Stephanie A. Bond Huie
Vice Chancellor for Strategic Initiatives, *ad interim*
The University of Texas System Administration
702 Colorado Street
Colorado Building, Suite 6.2
Austin, Texas 78701

Dear Stephanie:

I am delighted to offer you the appointment of Vice Chancellor for Strategic Initiatives at The University of Texas System, effective July 10, 2013. In your position as the Vice Chancellor, you will report directly to the Chancellor and shall hold office without fixed term, subject to the pleasure of the Chancellor.

Your initial compensation will be \$265,000 gross annual salary to be paid monthly. In addition, monthly dues, professional memberships, continuing education allowances, as well as reasonable travel expenses related to U. T. business, will be reimbursed by System Administration.

Stephanie, it is a great honor to offer you this position as you have distinguished yourself while serving as Vice Chancellor, *ad interim*. I extend my thanks to you for all of the work you and your team have accomplished while you served in the interim capacity. I am excited to continue the forward momentum by which you are propelling the U. T. System and to working with you in these endeavors. The Dashboard is of the upmost importance to our success in achieving many of our goals associated with the Framework; your leadership and oversight to this effort is vital.

To indicate your acceptance of these terms, please sign and date this letter and return a copy to my office. Our office will coordinate with you on a public announcement upon receiving your signed acceptance. I look forward to working together with you to facilitate the success of the Framework, emphasizing transparency and accountability in all that we and the campuses achieve.

With greatest respect,

Francisco G. Cigarroa
Chancellor

FGC:jbp

Signature of Acceptance

Date

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas
of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler

The University of Texas
Southwestern Medical Center at Dallas
The University of Texas
Medical Branch at Galveston
The University of Texas
Health Science Center at Houston
The University of Texas
Health Science Center at San Antonio
The University of Texas
M. D. Anderson Cancer Center
The University of Texas
Health Science Center at Tyler

www.utsystem.edu

ACADEMIC INSTITUTIONS

3. Lease - U. T. Austin: Authorization to extend the lease of space to University Federal Credit Union for automated teller machine locations

Description: Extension of lease of sites for 38 automated teller machines at 24 locations on the U. T. Austin campus

Lessor: University Federal Credit Union, a federally chartered nonprofit corporation

Term: The extension term commenced on March 1, 2013, and continues through November 30, 2013, unless terminated earlier by U. T. Austin. The institution plans to select one or more automated teller machine vendors through a request for proposal process and when that selection is made, U. T. Austin will terminate the lease to University Federal Credit Union. If approval of the extension is not obtained by August 31, 2013, the lease terminates on August 31, 2013.

Lease Income: Consideration to U. T. Austin includes \$32,083.33 in base rent and \$200.00 in operating expenses per month, for a total of approximately \$290,549.00 if the lease extension runs for the full nine-month term. The original lease became effective on September 1, 2001, and was last extended by the Board of Regents on May 3, 2012. This proposed lease extension and a prior lease extension will result in aggregate additional revenue to U. T. Austin in excess of 25% of the prior authorization if the lease extends beyond August 31, 2013, and, therefore, this lease extension is being submitted to the Board of Regents for authorization.

4. Lease - U. T. Austin: Authorization to extend the lease of space from Barham Plaza Company for use as offices and classrooms for the College of Communication Semester in Los Angeles program

Description: Extension of lease of approximately 3,414 rentable square feet in Barham Plaza at 3800 Barham Boulevard, Los Angeles, California, to be used by U. T. Austin's College of Communication for its Semester in Los Angeles program. The original lease was signed on April 22, 2005, and has been renewed twice for this program. The space leased for the program has remained the same.

Lessor: Barham Plaza Company, a California limited partnership

Term: The proposed extension term commences July 1, 2013, subject to Board approval, and extends through August 30, 2016, with two three-year renewal options at a mutually agreed rental.

Lease Costs: Base rent over the extended 38-month term will total approximately \$375,450. Over the life of the lease to date, the institution paid an estimated \$860,713 in base rent. Because the proposed extension will cause the total lease expenditures to exceed the \$1,000,000 threshold, the institution is seeking Board approval of the extension.

Source of Funds: Programmatic Fees

5. Lease - U. T. Brownsville: Authorization to lease space from RRV Klein Church, Ltd., for office and educational uses

Description: Lease of approximately 17,200 square feet of space at 1601 East Price Road, Brownsville, Texas, for general office, business incubator, workforce training and professional development, economic development activities, U. T. Brownsville's Language Institute, and other uses

Lessor: RRV Klein Church, Ltd., a Texas limited partnership

Term: The commencement date is estimated to be September 1, 2013, and the initial term will expire on the third anniversary of the commencement date.

Lease Costs: Approximately \$425,700 (\$9 per square foot) in base rent over the initial three-year term. In addition to base rent, U. T. Brownsville will pay for its pro rata share of the costs of common area maintenance, ad valorem property taxes, and property insurance (estimated to be \$2.50 per square foot for the first lease year). The Lessor will perform exterior renovations to the building at a cost not to exceed \$10,000 and will perform interior renovations to the premises at a cost not to exceed \$40,000. U. T. Brownsville will be responsible for the cost of any renovations beyond the allowances provided by Lessor. U. T. Brownsville will have a one-year renewal option at a base rent cost of \$159,100 (\$9.25 per square foot) and one subsequent three-year renewal option at a total base rent cost of \$490,200 (\$9.50 per square foot).

Source of Funds: Operating Budget

6. Lease - U. T. Brownsville: Authorization to lease space from the City of Brownsville for office and educational uses

Description: Lease of two buildings (totaling approximately 9,258 square feet of office space) at 1301 East Madison and an adjacent lot located at 1335 East Madison, Brownsville, Texas, for office and educational uses

Lessor: The City of Brownsville, a Texas home rule municipality

Term: The commencement date is estimated to be August 1, 2013, and the term will expire on the fourth anniversary of the commencement date.

Lease Costs: Approximately \$370,320 (\$10 per building square foot) in base rent over the initial four-year term. In addition, U. T. Brownsville will be responsible for all costs of utilities, building operation, and maintenance (estimated to be approximately \$3.07 per building square foot). U. T. Brownsville will construct a parking lot for its use on the adjacent lot; the base rent during the initial term will be offset by the actual costs incurred by U. T. Brownsville in constructing the parking lot. The costs of constructing the parking lot are estimated to be \$300,000. U. T. Brownsville will have four one-year renewal options; the rent for the four renewal options will be the fair market rental (with escalations, if indicated) determined at the commencement of the first renewal option. The buildings will require minimal improvements and U. T. Brownsville will be responsible for the cost of any improvements to the buildings.

Source of Funds: Operating Budget

7. Lease - U. T. Brownsville: Authorization to lease space from J. & M. Zamora Family, L. P., for office and educational uses

Description: Lease of approximately 16,298 square feet of space at 451 East Alton Gloor, Brownsville, Texas, for office and educational uses. Due to the critical timing necessary to have the premises available for occupancy by August 1, 2013, U. T. Brownsville requests authority from the Board of Regents to complete negotiations for the premises in accordance with the general parameters outlined below, with a total cost not to exceed \$2.8 million in base rent and operating expenses over the potential eight-year term of the lease, and to authorize U. T. Brownsville's Vice President for Business Affairs to execute the lease upon its approval by the U. T. System Real Estate Office.

Lessor: J. & M. Zamora Family, L. P., a Texas limited partnership

Term: The commencement date is estimated to be August 1, 2013, and the initial term will expire on the fourth anniversary of the commencement date. U. T. Brownsville will have one four-year option to renew the lease.

Lease Costs: Currently estimated to be \$1,022,771 in base rent over the initial four-year term (\$15.69 per square foot average). In addition to base rent, U. T. Brownsville will pay for the costs of maintenance, ad valorem property taxes, and property insurance (operating expenses) attributable to the premises (estimated to be \$4.20 per square foot for the first lease year). U. T. Brownsville will lease the premises "as-is" with no improvements required. The estimated base rent cost for the period of the renewal option is \$1,151,138 (\$17.66 per square foot average), plus operating expenses.

Source of Funds: Operating Budget

8. License - U. T. Pan American: Authorization to license space, initially in the University Bookstore and later in the Learning Resource Center, to Nebraska Book Company, Inc., for the operation of a bookstore

Description: License of approximately 12,554 square feet in the University Bookstore initially, and later relocated to approximately 6,225 square feet in the Learning Resource Center at U. T. Pan American's main campus in Edinburg, Texas, for the exclusive operation of a bookstore. Licensee also has the right to sell certain merchandise in kiosks and at specific events on the campus.

Licensee: Nebraska Book Company, Inc., a Delaware corporation

Term: The License commenced on April 19, 2013, and extends for 10 years through April 18, 2023. The parties may extend the License for two additional periods of one year each. Both parties have early termination rights. This license agreement was not submitted to the Board of Regents in May 2013 because the terms of the License were not completed prior to the Consent Agenda deadline.

Premises Improvements: Licensors shall, at its cost, renovate the final premises at the Learning Resource Center; Licensee shall make a one-time capital contribution of \$225,000 towards the cost of such improvements.

License Revenue: Licensors shall receive a base license fee of \$370,000 annually, a royalty varying from 16.25% to 18% on the sale of nonacademic

materials, but in no event less than \$140,000 annually, and starting in the second license year, an annual renovation fee of \$12,500. As additional consideration, the Licensee shall provide credits worth \$35,000 each year to the institution's book rental scholarship fund. Licensor is responsible for providing and paying for utilities, but Licensee shall contribute a fee of \$32,184 annually to Licensor towards such costs. Licensor shall also receive a one-time signing bonus of \$150,000. If all extensions are exercised, total consideration to U. T. Pan American will be approximately \$7.439 million.

HEALTH INSTITUTIONS

9. Lease - U. T. M. D. Anderson Cancer Center: Authorization to amend the lease to expand the leased premises in space leased from HCRI Nassau Bay Medical Facility, LLC, for oncology clinic use

Description: Expansion of leased premises at 18100 St. John Drive, Nassau Bay, Texas, for use as an oncology clinic. U. T. M. D. Anderson Cancer Center currently leases 16,268 square feet of space from Lessor pursuant to the initial lease and the first and second amendments to the lease. The proposed third amendment will add 4,657 square feet of leased space to bring the total leased area to 20,925 square feet.

The Board of Regents approved the initial lease of approximately 8,885 square feet with a base rental amount of \$1,986,203 on November 16, 2006; at that time, operating expenses, which are in addition to base rent, were approximately \$6,590 per month.

No record found of Board of Regents' approval of the first amendment, which increased the tenant improvement allowance, or the second lease amendment, which increased the leased premises to 16,268 square feet.

Lessor: HCRI Nassau Bay, LLC, a Delaware limited liability company

Term: The initial term commenced June 7, 2007, and extends through June 30, 2017; in addition, there are two five-year renewal options. The current proposed amendment does not contain any additional lease extensions.

Lease Costs: Base rent over the initial 10-year term totals approximately \$6,678,332. That amount includes increases attributable to the amounts for amortization of the additional tenant improvement funds provided by Lessor pursuant to the first amendment and for the previous expansion of the leased premises and related tenant

improvements pursuant to the second amendment to the lease. Current base rent for the expanded space is \$22.60 per square foot (plus adjustments for the amortized improvement funds) and increases by 3% each year. Base rent for each renewal option period will continue the 3% annual increases. Monthly operating expenses, which the Lessee pays in addition to base rent, have increased over the life of the lease due to increased costs over time and to the expansion of the leased space under the second amendment. The expansion of leased space under the proposed third amendment will further increase operating expenses; 2013 operating expenses for the expanded 20,925 square feet under the third amendment are an estimated \$21,064 per month. Under the third amendment, the Lessor is providing an improvement allowance of up to \$46,570 (\$10 per square foot); U. T. M. D. Anderson Cancer Center will provide an additional \$127,110 (approximately) (\$27.29 per square foot) to fund finish-out in the leased premises.

Source of Funds: Hospital patient income

10. Lease - U. T. M. D. Anderson Cancer Center: Authorization to amend the lease to expand the leased premises in space leased from Duke Realty Limited Partnership for oncology clinic use

Description: Expansion of leased premises at 19770 Kingsland Boulevard, Katy, Texas, for use as an oncology clinic. U. T. M. D. Anderson Cancer Center currently leases 29,889 square feet of space from Lessor pursuant to the initial lease and the first through fifth amendments. The proposed sixth amendment will add 4,033 square feet of leased space to bring the total leased area to 33,922 square feet. The Board of Regents approved the initial lease of approximately 10,500 square feet with a base rental amount of \$2,205,000 on February 9, 2006; the amount of operating expenses, which are in addition to base rent, were not stated in that Board item. The Board of Regents approved the third amendment to the lease, which added 13,103 square feet to the leased premises, with an additional base rental of \$2,600,000, on May 14, 2009. Board of Regents' approval would not have been needed for the first amendment to the lease, which made some technical corrections but no substantive changes. There is no record of Board of Regents' approval of the second amendment, which corrected the leased square footage to 12,639 square feet, or the fourth lease amendment, which added 4,147 square feet to the leased premises.

Lessor: Duke Realty Limited Partnership, an Indiana limited partnership

Term: The initial term commenced November 5, 2007, and extends through November 30, 2017; in addition, there are two three-year renewal options. The current proposed amendment does not contain any additional lease extensions.

Lease Costs: Base rent over the initial 10-year term totals approximately \$4,590,233. That total includes amounts for the previous expansions of the space and amortization of additional tenant improvement funds provided by Lessor pursuant to the initial lease and the third, fourth, and fifth amendments. Base rent is \$35.92 per square foot for each year of the initial 10-year term. Base rent for each renewal option period will be the fair market rent for the premises. 2013 operating expenses, which the Lessee pays in addition to base rent, are an estimated \$31,774 per month for the expanded 33,922 square feet leased premises under the proposed sixth amendment. Under the sixth amendment, the Lessor is providing an improvement allowance of up to \$36,330 (\$9 per square foot); U. T. M. D. Anderson Cancer Center will provide an additional \$185,670 (approximately) (\$46 per square foot) to fund finish-out in the leased premises.

Source of Funds: Hospital patient income

11. Lease - U. T. Medical Branch - Galveston: Authorization to lease space from OC Alvin, Ltd., for medical clinic use

Description: Lease of approximately 10,000 square feet in a building to be constructed at the southeast corner of Texas State Highway 6 and Highway 35 Bypass, Alvin, Texas, for medical clinic use. An existing pediatric clinic will be relocated to the new clinic space; in addition, an adult primary care practice will be located in the new space.

Lessor: OC Alvin, Ltd., a Texas limited partnership

Term: The term commences on the date that Lessor substantially completes the construction of the building and the improvements and delivers the leased premises, and continues for 10 years, plus one five-year renewal option. The estimated commencement date is May 1, 2014.

Lease Costs: Approximately \$3,289,942 in base rent and estimated operating expenses over the initial 10-year term. Base rent and estimated operating expenses for the renewal option period will be approximately \$1,761,869. The Lessor is providing an improvement allowance of up to \$50 per square foot; U. T. Medical Branch will

provide up to an additional \$100 (approximately) per square foot to fund finish-out in the leased premises.

Source of Funds: Patient revenue