



**AGENDA FOR
SPECIAL CALLED MEETING
of
THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS**

October 12, 2009
Austin, Texas

		Page
A.	CONVENE THE BOARD IN OPEN SESSION	
		<i>9:00 a.m.</i> <i>Chairman Huffines</i>
1.	U. T. System and U. T. Southwestern Medical Center – Dallas: Discussion and appropriate action regarding authorization to enter into an affiliation agreement with Seton Healthcare to sponsor graduate medical education programs and related activities	Action <i>Chancellor Cigarroa</i> <i>Dr. Shine</i> <i>President Podolsky</i> 1
B.	RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551	
		<i>9:30 a.m.</i>
1.	Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071	
a.	U. T. System Board of Regents: Discussion with Counsel on pending legal issues	
b.	U. T. System and U. T. Southwestern Medical Center – Dallas: Discussion with Counsel on legal issues related to an affiliation agreement with Seton Healthcare	<i>Mr. Burgdorf</i>
2.	Negotiated Contracts for Prospective Gifts or Donations – Section 551.073	
	U. T. Health Science Center – Houston: Discussion and appropriate action regarding a proposed negotiated gift with potential naming features	<i>Dr. Safady</i>
C.	RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON ITEMS A.1, B.1.b, and B.2, AND RECESS BRIEFLY FOR MEDIA SESSION	
		<i>9:45 a.m.</i>

		Page
D.	RECONVENE AND RECESS TO EXECUTIVE SESSION PURSUANT TO <i>TEXAS GOVERNMENT CODE</i> , CHAPTER 551 (working lunch)	10:00 a.m.
	3. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074	
	U. T. Pan American: Discussion and appropriate action regarding individual personnel matters related to the presidential search, including individual candidate interviews and possible naming of finalists	
E.	RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEM D.3, AND TO CONSIDER AGENDA ITEMS	
	2. U. T. System: Adoption of a Resolution related to a contract to hedge the price and sell a portion of the future oil royalty production from the Permanent University Fund Lands	4:20 p.m. Action <i>Dr. Kelley</i>
	3. U. T. San Antonio and U. T. Health Science Center – San Antonio: Discussion and appropriate action regarding review of the operation and structure of institutions	4:30 p.m. Action <i>Chairman Huffines</i> <i>Chancellor Cigarroa</i> <i>Dr. Prior</i> <i>Dr. Shine</i>
	4. U. T. Tyler: Authorization to grant a license to Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine campus to serve the campus facility	4:40 p.m. Action <i>President Mabry</i> <i>Ms. Mayne</i>
	5. U. T. System: Discussion and appropriate action regarding the U. T. System Research Incentive Program	4:50 p.m. Action <i>Chancellor Cigarroa</i> <i>Dr. Prior</i> <i>Dr. Safady</i>
F.	ADJOURN	5:00 p.m. <i>approximately</i>

1. **U. T. System and U. T. Southwestern Medical Center – Dallas: Discussion and appropriate action regarding authorization to enter into an affiliation agreement with Seton Healthcare to sponsor graduate medical education programs and related activities**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Podolsky that the U. T. System Board of Regents grant U. T. System Administration and U. T. Southwestern Medical Center – Dallas authority to finalize, execute, and implement an affiliation agreement among Seton Healthcare, the U. T. System Board of Regents, and U. T. Southwestern Medical Center – Dallas for the purpose of sponsoring and expanding graduate medical education programs, establishing clinical and medical research programs, and improving the health of Central Texans.

2. **U. T. System: Adoption of a Resolution related to a contract to hedge the price and sell a portion of the future oil royalty production from the Permanent University Fund Lands**

RECOMMENDATION

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

- a. adopt the Resolution on Pages 3 - 6 related to a contract to hedge the price and sell a portion of the future oil royalty production from the Permanent University Fund (PUF) Lands; and
- b. authorize appropriate officers and employees of U. T. System and The University of Texas Investment Management Company (UTIMCO) as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein.

BACKGROUND INFORMATION

In early 2008, the Board of Regents asked U. T. System and UTIMCO staff to review the possibility of preselling a portion of the future oil and natural gas royalty production from the PUF Lands. That process led to the procurement of a third-party reserve study, the signing of four master commodity swap agreements (International Swap Dealers

Association, "ISDAs") with credit-worthy counterparties, and a legal opinion that such a transaction was permissible. The Board of Regents approved a recommendation on July 24, 2008, to delegate authority to U. T. System staff to negotiate and enter into a transaction. Oil and gas prices then declined rapidly and substantially, making a transaction economically unattractive.

On November 13, 2008, the Board of Regents approved a detailed Resolution that provided significant additional detail regarding the statutory and Constitutional authorization for such a transaction. The Resolution also more fully described the authorities to be granted to U. T. System and UTIMCO staff with regard to a future transaction.

The forward price curve for oil has risen in recent months and is again approaching attractive levels. Adoption of this current Resolution would authorize appropriate employees of U. T. System and UTIMCO to move forward with a transaction within parameters set forth in the Resolution, consistent with the authority granted at the July 24, 2008 and November 13, 2008 meetings of the Board. Specifically, the Resolution would allow for a sale of future oil royalty production for a period of not greater than five years for volumes representing no more than the expected oil production in any given calendar year as forecast in the most recent third party reserve report and for an amount not less than \$500 million.

The PUF Lands encompass 2.1 million acres of surface and mineral interests in 19 counties in West Texas. Royalty production net to the U. T. System in Fiscal Year 2008 totaled 2.1 million barrels of oil and 22.0 billion cubic feet of natural gas. Total oil and gas royalty income in Fiscal Year 2008 was \$390.7 million and is expected to exceed \$250 million in Fiscal Year 2009.

Note: An excerpt from the Reserve Report referenced in the fourth paragraph of the Resolution on Page 3 is set forth on Pages 7 - 18. The complete Reserve Report is available online at <http://www.utsystem.edu/bor/AgendaBook/Oct09/10-12-09Meetingpage.html>.

**RESOLUTION AUTHORIZING
PERMANENT UNIVERSITY FUND FORWARD SALE TRANSACTION**

WHEREAS, the Permanent University Fund of the State of Texas (the “PUF”) is a constitutional fund created by the Texas Constitution of 1876 and currently consists of approximately 2,109,000 acres of land located in 24 North and West Texas Counties (the “PUF Lands”) and over \$9 billion in investment assets;

WHEREAS, except as provided below, the Board of Regents (the “Board”) of The University of Texas System (the “U. T. System”) is responsible for managing all the assets of the PUF, including the PUF Lands and the investment assets;

WHEREAS, the Board for Lease of University Lands (the “Board for Lease”) is authorized to lease PUF Lands for oil and gas exploration and development (“Mineral Leases”), to contract for the sale or other disposition of crude oil and natural gas royalties taken in kind, and to approve agreements that commit (by assignment or otherwise) the royalty interest in PUF Lands on terms acceptable to the Board for Lease;

WHEREAS, the Board commissioned the petroleum consulting firm of Netherland, Sewell & Associates, Inc. (“NSA”) to study the estimated proven, probable and possible crude oil and natural gas reserves and future PUF royalty net revenue from certain Mineral Leases, which study resulted in a written report from NSA to the Board, updated as of June 30, 2009 (see attached “Reserve Report”);

WHEREAS, in managing the assets of the PUF, the Board is authorized by Article VII, Section 11b of the State Constitution to “acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment . . . that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, or other circumstances of the [PUF] then prevailing, taking into consideration the investment of all the assets of the [PUF] rather than a single investment”;

WHEREAS, the U. T. System staff, based upon consultation with the staff of UTIMCO, has submitted to the Board the recommendation (the “Staff Recommendation”) to approve an investment transaction for the PUF (the “Transaction”), pursuant to which the Board, as manager of the PUF, would agree to sell to one or more counterparties (each, a “Counterparty”) certain quantities of crude oil to be delivered by the Board over a multiyear period, which sale could involve a conveyance of the PUF’s royalty interests limited to such quantities (or cash equivalents), and the applicable Counterparty would agree to purchase such quantities from the Board by paying an upfront purchase price, said agreements to be set forth in one or more commodity prepayment, royalty conveyance, or production payment agreements (each, a “Commodity Agreement”);

WHEREAS, the Staff Recommendation calls for the Transaction to be structured, based upon the most recent Reserve Report, such that the obligation of the Board, as manager of the PUF, pursuant to all Commodity Agreements does not exceed the estimated PUF royalty

production per the most recent Reserve Report from total proved reserves in any given calendar year, during the delivery period of the Transaction; and

WHEREAS, in connection with the Transaction, it may be necessary and appropriate for the Board, as manager of the PUF, to enter into one or more of the following basic documents (together with the Commodity Agreements, the “Basic Transaction Documents”) in furtherance of the prudent execution of the Transaction:

- (i) Physical commodity sales agreement(s) with one or more commodity marketers pursuant to which the Board, a manager of the PUF, would purchase, or exchange for PUF royalties taken in kind, crude oil to be delivered in amounts necessary to satisfy its obligations under the applicable Commodity Agreement; and
- (ii) Financial commodity price swap agreement(s) with one or more swap counterparties pursuant to which the Board, a manager of the PUF, would agree to enter into a swap or sell an option on a swap to pay a floating-price for a notional volume of crude oil and the swap counterparty would agree to pay a fixed-price for such notional volume.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

1. Subject to the other provisions of this Resolution and to the receipt of appropriate opinions of counsel as to legal structure and any tax consequences, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to determine the size, timing, participants and other terms of the Transaction and to complete all negotiations and finalize all arrangements with respect to the Transaction, all as may be deemed necessary or appropriate and in the best interests of the PUF; provided, however, that (i) the Transaction shall be structured, based upon the most recent Reserve Report, such that the obligations of the Board, as manager of the PUF, pursuant to all Commodity Agreements involved in the Transaction do not exceed the estimated PUF royalty production in any given calendar year from total proved reserves, (ii) the term of the Transaction shall not exceed five years, and (iii) the upfront purchase price paid to the PUF pursuant to all Commodity Agreements involved in the Transaction shall not be less than \$500,000,000.

2. In connection with the actions authorized by paragraph 1 above, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to assist the Board for Lease in (i) reviewing the terms of the Mineral Leases, (ii) exercising such rights contained in such Mineral Leases as are deemed necessary or appropriate to facilitate the Transaction, including the rights to take crude oil royalties in kind, to sell and dispose of such royalties taken in kind and to determine the delivery location of such royalties taken in kind, and (iii) committing (by assignment or otherwise) the PUF’s royalty interests under such Mineral Leases limited to specified quantities of crude oil (or cash equivalents).

3. Subject to the requirements of paragraph 1 above, in connection with the Transaction, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Finance and Business Development, and the Vice Chancellor and General

Counsel are hereby severally authorized and directed to execute and deliver the applicable Basic Transaction Documents on behalf of the Board, as manager of the PUF, in such forms and with such terms as any such officer determines to be necessary or desirable and in the best interests of the Board, as manager of the PUF, such determination to be conclusively evidenced by such execution thereof.

4. The members of the staffs of U. T. System and UTIMCO, and the officers of the Board, and each of them shall be and each is expressly authorized, empowered and directed from time-to-time to do and perform all acts and things and to execute, acknowledge and deliver in the name and on behalf of the Board, as manager of the PUF, all certificates, instruments and other papers, whether or not herein mentioned, as any such person may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution and the Transaction authorized hereunder, such determination to be conclusively evidenced by the performance of such acts and things and the execution of certificate, instrument or paper.

5. In reliance upon the Staff Recommendation, the Reserve Report, the recitals to this Resolution and the foregoing paragraphs 1 through 4,

(a) the Board hereby finds and determines that the Transaction is prudent and appropriate for the PUF in light of the purpose, terms, distribution requirements, and other circumstances of the PUF, taking into consideration the investment of all the assets of the PUF rather than a single investment and, thus, is an authorized investment under Article VII, Section 11b of the State Constitution; and

(b) the Board specifically further finds and determines that:

(i) because the upfront purchase payment pursuant to all Commodity Agreements involved in the Transaction, when credited to the PUF, will be invested in investment assets pursuant to the Board's investment policies in effect from time to time, which investment assets are expected to produce revenue for the PUF, (a) distributions to the Available University Fund ("AUF") from the total return on all investment assets of the PUF are expected to increase as a result of the Transaction, and (b) the amount of bonds payable from the AUF authorized to be issued by the Board and the Board of Regents of The Texas A&M University System is expected to increase;

(ii) because the Transaction will be structured, based upon the Reserve Report, such that the obligation of the Board, as manager of the PUF, pursuant to all Commodity Agreements involved in the Transaction, is expected to be fully satisfied from PUF royalty production from total proved reserves in any given calendar year, during the delivery period of the Transaction, the Board's sale and delivery obligation is not speculative, but is fully backed by the PUF's expected royalty production;

(iii) because the upfront purchase payment pursuant to all Commodity Prepayment Agreements involved in the Transaction will be deposited to

the credit of the PUF and invested in investment assets in accordance with the Board's investment policies in effect from time-to-time, the Transaction will reduce the PUF's reliance upon volatile crude oil commodity prices, thereby prudently further diversifying the assets of the PUF; and

- (iv) because the upfront purchase payment to the Board will be calculated based upon commodity prices and interest rates established at or prior to execution of the Transaction, the Transaction will allow the PUF to lock in what currently appears to be a relatively high market price for crude oil and relatively low interest rates.

6. This Resolution shall be in full force and effect from and after its passage, and it is accordingly so resolved.

PASSED AND APPROVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THIS TWELTH DAY OF OCTOBER, 2009.

Reserve Report Excerpt

Summary Projections of Reserves and Revenue

Note: The complete Reserve Report is available online at
<http://www.utsystem.edu/bor/AgendaBook/Oct09/10-12-09Meetingpage.html>

ESTIMATE
of
RESERVES AND FUTURE REVENUE
to
THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST
in
CERTAIN OIL AND GAS PROPERTIES
located in
TEXAS
as of
JUNE 30, 2009

BASED ON PRICE AND COST PARAMETERS
specified by
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY



**NETHERLAND, SEWELL
& ASSOCIATES, INC.**

**WORLDWIDE PETROLEUM
CONSULTANTS**

**ENGINEERING • GEOLOGY
GEOPHYSICS • PETROPHYSICS**

August 7, 2009

The University of Texas System Board of Regents
401 Congress Avenue, Suite 2800
Austin, Texas 78701

Ladies and Gentlemen:

In accordance with your request, we have estimated the proved, probable, and possible reserves and future revenue, as of June 30, 2009, to The University of Texas System University Lands (UT Lands) royalty interest in certain oil and gas properties located in Texas, as listed in the accompanying tabulations. This report has been prepared using price and cost parameters specified by The University of Texas Investment Management Company (UTIMCO), as discussed in subsequent paragraphs of this letter. The estimates of reserves and future revenue in this report have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers; definitions are presented immediately following this letter.

As presented in the accompanying summary projections, Tables I through V, we estimate the net reserves and future net revenue to the UT Lands interest in these properties, as of June 30, 2009, to be:

Category	Net Reserves			Future Net Revenue (M\$)	
	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	16,352.1	2,368.0	69,036.5	1,902,464.2	908,471.8
Proved Undeveloped	1,279.2	0.0	3,688.5	131,438.5	63,329.9
Total Proved	17,631.3	2,368.0	72,725.0	2,033,902.7	971,801.7
Probable	2,613.6	0.0	7,039.6	269,240.9	118,258.9
Possible	2,863.6	0.0	15,414.9	350,981.7	128,856.5

The oil reserves shown include crude oil and condensate. Oil and natural gas liquids (NGL) volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases. Liquids volumes presented in this report include crude oil, condensate, and NGL.

The estimates shown in this report are for proved developed producing, proved undeveloped, probable, and possible reserves. No study was made to determine whether proved developed non-producing reserves might be established for these properties. This report does not include any value that could be attributed to interests in undeveloped acreage beyond those tracts for which undeveloped reserves have been estimated. Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. The estimates of reserves and future revenue included herein have not been adjusted for risk.

As shown in the Table of Contents, this report includes summary graphs showing gross and net historical and projected production for all properties. For each reserves category this report includes a summary projection of reserves and revenue along with one-line summaries of basic data, reserves, and economics by lease.

Future gross revenue in this report is the UT Land's royalty share of the gross (100 percent) revenue from the properties. It is our understanding that the UT Lands royalty interest is exempt from state production taxes and ad valorem taxes. Future net revenue is before consideration of federal income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth. The present worth is shown to indicate the effect of time on the value of money and should not be construed as being the fair market value of the properties.

For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and their related facilities. Since UT Lands owns a royalty interest rather than a working interest in these properties, no costs would be incurred because of abandonment or possible environmental liability, nor would any salvage value be realized for the lease and well equipment.

As requested, this report has been prepared using oil, NGL, and gas price parameters specified by UTIMCO. Oil and NGL prices are based on June 30, 2009, NYMEX West Texas Intermediate futures prices and are adjusted by lease for quality, transportation fees, and a regional price differential. Gas prices are based on June 30, 2009, NYMEX Henry Hub futures prices and are adjusted by lease for energy content, transportation fees, and a regional price differential. All prices, before adjustments, are shown in the following table:

<u>Period Ending</u>	<u>Oil/NGL Price (\$/Barrel)</u>	<u>Gas Price (\$/MMBTU)</u>
7-31-2009	66.93	3.95
12-31-2009	71.45	4.48
12-31-2010	74.93	6.06
12-31-2011	78.12	6.89
12-31-2012	80.13	7.15
12-31-2013	81.69	7.29
12-31-2014	83.55	7.43
12-31-2015	85.55	7.57
12-31-2016	87.57	7.71
12-31-2017	89.60	7.85
12-31-2018	91.58	7.98
Thereafter	92.98	8.13

Because UT Lands owns no working interest in these properties, lease and well operating costs would not be incurred. However, estimated lease and well operating costs have been used in the determination of the economic limits for the properties. These cost estimates are based on our knowledge of similar wells in the area. Operating costs are held constant throughout the lives of the properties.

We have made no investigation of potential gas volume and value imbalances resulting from overdelivery or underdelivery to the UT Lands interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on UT Lands receiving its royalty interest share of estimated future gross gas production.

The reserves shown in this report are estimates only and should not be construed as exact quantities. The reserves may or may not be recovered; if they are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimates used in the calculation of economic limits. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received for the reserves, and costs incurred by the working interest owners in recovering the reserves may vary from assumptions made while preparing this report. Also, estimates of reserves may increase or decrease as a result of future operations.

In evaluating the information at our disposal concerning this report, we have excluded from our consideration all matters as to which the controlling interpretation may be legal or accounting, rather than engineering and

geologic. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geologic data; therefore, our conclusions necessarily represent only informed professional judgment.

The titles to the properties have not been examined by Netherland, Sewell & Associates, Inc., nor has the actual degree or type of interest owned been independently confirmed. The data used in our estimates were obtained from UT Lands, UTIMCO, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting geologic, field performance, and work data are on file in our office. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties and are not employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-002699

/s/ C.H. (Scott) Rees III

By:

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

/s/ Joseph J. Spellman

By:

Joseph J. Spellman, P.E. 73709
Senior Vice President

/s/ Jay P. Mitchell

By:

Jay P. Mitchell, P.G. 1649
Vice President

Date Signed: August 7, 2009

Date Signed: August 7, 2009

JJS:CLM

Please be advised that the digital document you are viewing is provided by Netherland, Sewell & Associates, Inc. (NSAI) as a convenience to our clients. The digital document is intended to be substantively the same as the original signed document maintained by NSAI. The digital document is subject to the parameters, limitations, and conditions stated in the original document. In the event of any differences between the digital document and the original document, the original document shall control and supersede the digital document.



SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF
6 -30- 9

THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES
LOCATED IN TEXAS

TOTAL PROVED RESERVES

PERIOD ENDING	GROSS OIL/COND MBBL	NET OIL/COND MBBL	GROSS GAS MMCF	NET GAS MMCF	GROSS NGL MBBL	NET NGL MBBL	GROSS REVENUE M\$	PROD+AV TAXES M\$	NET CAP COST M\$	OPERATING EXPENSE M\$	NET REVENUE M\$	CUM P.W. 10.000% M\$
12-30- 9	6853.225	879.737	36972.616	4597.127	1051.215	155.939	80917.8	0.0	0.0	0.0	80917.8	79046.4
12-30-10	12811.906	1617.239	65403.248	7890.482	1844.103	272.126	166479.6	0.0	0.0	0.0	166479.6	230560.8
12-30-11	11249.121	1418.428	54967.128	6264.919	1583.432	232.816	152777.4	0.0	0.0	0.0	152777.4	357051.3
12-30-12	10033.715	1227.724	47349.210	5207.626	1383.502	203.207	135117.8	0.0	0.0	0.0	135117.8	458713.6
12-30-13	9100.264	1090.766	41717.206	4509.483	1220.317	179.143	121773.3	0.0	0.0	0.0	121773.3	541992.2
12-30-14	8332.625	981.736	37285.383	3995.964	1083.805	158.932	111685.1	0.0	0.0	0.0	111685.1	611421.8
12-30-15	7663.137	889.370	33560.182	3587.618	968.895	142.201	103349.3	0.0	0.0	0.0	103349.3	669826.1
12-30-16	7065.067	812.464	30311.954	3254.469	865.622	127.277	96404.3	0.0	0.0	0.0	96404.3	719354.8
12-30-17	6535.330	744.777	27479.364	2965.825	775.176	114.139	90224.5	0.0	0.0	0.0	90224.5	761490.0
12-30-18	6068.150	683.155	25018.586	2715.301	697.821	102.865	84486.6	0.0	0.0	0.0	84486.6	797356.8
12-30-19	5597.428	623.725	18114.846	2352.623	486.761	75.147	76788.7	0.0	0.0	0.0	76788.7	827011.8
12-30-20	5150.334	567.707	13327.908	2057.200	341.541	55.809	68766.2	0.0	0.0	0.0	68766.2	851138.4
12-30-21	4784.470	521.804	12263.366	1895.776	310.197	50.861	63229.3	0.0	0.0	0.0	63229.3	871303.8
12-30-22	4457.759	481.728	11358.183	1755.396	284.045	46.697	58408.7	0.0	0.0	0.0	58408.7	888241.8
12-30-23	3852.390	407.873	10437.183	1611.512	259.746	42.721	50588.6	0.0	0.0	0.0	50588.6	901577.7
12-30-24	3611.422	378.208	9655.832	1488.009	236.162	38.857	46826.5	0.0	0.0	0.0	46826.5	912797.1
12-30-25	3398.265	352.639	8973.382	1379.885	215.927	35.587	43568.8	0.0	0.0	0.0	43568.8	922287.2
12-30-26	3168.308	325.894	8278.990	1276.730	197.850	32.685	40266.2	0.0	0.0	0.0	40266.2	930261.2
12-30-27	2959.683	299.817	7610.306	1173.259	181.231	29.877	37028.2	0.0	0.0	0.0	37028.2	936926.6
12-30-28	2786.336	278.549	7041.462	1081.687	165.498	27.314	34325.0	0.0	0.0	0.0	34325.0	942542.6
SUBTOTAL	125278.935	14583.340	507126.335	61060.891	14152.846	2124.200	1663011.9	0.0	0.0	0.0	1663011.9	942542.6
REMAING	35840.012	3048.001	78643.442	11664.095	1493.949	243.760	370890.8	0.0	0.0	0.0	370890.8	971801.7
TOTAL OF 49.5 YRS	161118.947	17631.341	585769.777	72724.986	15646.795	2367.960	2033902.7	0.0	0.0	0.0	2033902.7	971801.7
CUM PROD	1787811.349		4873357.784									
ULTIMATE	1948930.296		5459127.561									

BASED ON UTMCO PRICING PARAMETERS

PRESENT WORTH PROFILE
FOR 5.00 PCT, PRESENT WORTH M\$ 1307947.2
FOR 6.00 PCT, PRESENT WORTH M\$ 1221972.2
FOR 7.00 PCT, PRESENT WORTH M\$ 1147177.9
FOR 8.00 PCT, PRESENT WORTH M\$ 1081538.4
FOR 9.00 PCT, PRESENT WORTH M\$ 1023491.8

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

SUMMARY PROJECTION OF RESERVES AND REVENUE AS OF 6 -30- 9

THE UNIVERSITY OF TEXAS SYSTEM UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES LOCATED IN TEXAS

PROVED DEVELOPED PRODUCING RESERVES

PERIOD ENDING	GROSS OIL/COND	NET OIL/COND	GROSS GAS	MMCF	NET GAS	GROSS NGL	MBBL	NET NGL	GROSS REVENUE	PROD+AV TAXES	NET CAP COST	OPERATING EXPENSE	NET REVENUE	CUM P.W. 10.000%
	MBBL	MBBL	MMCF	MMCF	MMCF	MBBL	MBBL	MBBL	M\$	M\$	M\$	M\$	M\$	M\$
12-30- 9	6804.406	873.003	36935.776	4593.263	1051.215	155.939	80445.8	0.0	0.0	0.0	0.0	0.0	80445.8	78588.7
12-30-10	12059.448	1498.142	62606.772	7273.493	1844.103	272.126	154766.7	0.0	0.0	0.0	0.0	0.0	154766.7	219557.0
12-30-11	10635.691	1283.227	52686.634	5781.912	1583.432	232.816	139698.3	0.0	0.0	0.0	0.0	0.0	139698.3	335192.7
12-30-12	9590.377	1132.985	45838.901	4890.106	1383.502	203.207	125808.0	0.0	0.0	0.0	0.0	0.0	125808.0	429843.1
12-30-13	8736.625	1014.415	40553.807	4266.464	1220.317	179.143	114198.5	0.0	0.0	0.0	0.0	0.0	114198.5	507938.3
12-30-14	8018.960	916.617	36325.964	3796.589	1083.805	158.932	105122.3	0.0	0.0	0.0	0.0	0.0	105122.3	573286.5
12-30-15	7385.076	832.040	32737.102	3417.298	968.895	142.201	97444.0	0.0	0.0	0.0	0.0	0.0	97444.0	628353.4
12-30-16	6814.320	760.995	29587.340	3105.035	865.622	127.277	91001.1	0.0	0.0	0.0	0.0	0.0	91001.1	675107.0
12-30-17	6306.535	697.909	26829.673	2832.238	775.176	114.139	85209.0	0.0	0.0	0.0	0.0	0.0	85209.0	714899.8
12-30-18	5857.612	640.055	24428.155	2594.199	697.821	102.865	79784.7	0.0	0.0	0.0	0.0	0.0	79784.7	748771.7
12-30-19	5171.730	556.037	17540.414	2237.776	486.761	75.147	69889.1	0.0	0.0	0.0	0.0	0.0	69889.1	775784.0
12-30-20	4598.835	485.989	12774.667	1948.530	341.541	55.809	60678.2	0.0	0.0	0.0	0.0	0.0	60678.2	797074.0
12-30-21	4273.372	445.873	11750.324	1795.198	310.197	50.861	55717.0	0.0	0.0	0.0	0.0	0.0	55717.0	814843.4
12-30-22	3997.706	412.726	10883.630	1662.446	284.045	46.697	51568.1	0.0	0.0	0.0	0.0	0.0	51568.1	829796.0
12-30-23	3745.472	382.034	10043.578	1531.043	259.746	42.721	47652.8	0.0	0.0	0.0	0.0	0.0	47652.8	842358.1
12-30-24	3509.764	353.614	9288.455	1413.200	236.162	38.857	44044.8	0.0	0.0	0.0	0.0	0.0	44044.8	852910.7
12-30-25	3301.305	329.166	8629.923	1310.253	215.927	35.587	40926.3	0.0	0.0	0.0	0.0	0.0	40926.3	861824.9
12-30-26	3077.738	303.857	7961.731	1212.353	197.850	32.685	37793.1	0.0	0.0	0.0	0.0	0.0	37793.1	869309.3
12-30-27	2884.983	281.554	7337.082	1116.626	181.231	29.877	34952.6	0.0	0.0	0.0	0.0	0.0	34952.6	875601.0
12-30-28	2716.676	261.508	6789.592	1029.504	165.498	27.314	32393.5	0.0	0.0	0.0	0.0	0.0	32393.5	880901.3
SUBTOTAL	119486.631	13461.746	491529.520	57807.526	14152.846	2124.200	1549093.9	0.0	0.0	0.0	0.0	0.0	1549093.9	880901.3
REMA ING	35203.717	2890.401	76512.107	11228.994	1493.949	243.760	353370.3	0.0	0.0	0.0	0.0	0.0	353370.3	908471.8
TOTAL OF 49.5 YRS	154690.348	16352.147	568041.627	69036.520	15646.795	2367.960	1902464.2	0.0	0.0	0.0	0.0	0.0	1902464.2	908471.8
CUM PROD1787798.785			4873350.565											
ULTIMATE1942489.133			5441392.192											

BASED ON UTIMCO PRICING PARAMETERS

PRESENT WORTH PROFILE

FOR 5.00 PCT,	PRESENT WORTH M\$	1221658.2
FOR 6.00 PCT,	PRESENT WORTH M\$	1141450.9
FOR 7.00 PCT,	PRESENT WORTH M\$	1071737.1
FOR 8.00 PCT,	PRESENT WORTH M\$	1010596.7
FOR 9.00 PCT,	PRESENT WORTH M\$	956565.0

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table II



SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF
6 -30- 9

THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES
LOCATED IN TEXAS

PROVED UNDEVELOPED RESERVES

PERIOD ENDING	GROSS OIL/COND MBBL-----	NET OIL/COND MBBL-----	GROSS GAS MMCF-----	NET GAS MMCF-----	GROSS NGL MBBL-----	NET NGL MBBL-----	GROSS REVENUE M\$-----	PROD+AV TAXES M\$-----	NET CAP COST M\$-----	OPERATING EXPENSE M\$-----	NET REVENUE M\$-----	CUM P.W. 10.000% M\$-----
12-30- 9	48,819	6,734	36,840	3,864	0.000	0.000	472.0	0.0	0.0	0.0	472.0	457.7
12-30-10	552,458	119,097	2796,476	616,989	0.000	0.000	11712.9	0.0	0.0	0.0	11712.9	11003.8
12-30-11	613,430	135,201	2280,494	483,007	0.000	0.000	13079.1	0.0	0.0	0.0	13079.1	21858.6
12-30-12	443,338	94,739	1510,309	317,520	0.000	0.000	9309.8	0.0	0.0	0.0	9309.8	28870.5
12-30-13	363,639	76,351	1163,399	243,019	0.000	0.000	7574.8	0.0	0.0	0.0	7574.8	34053.9
12-30-14	313,665	65,119	959,419	199,375	0.000	0.000	6562.8	0.0	0.0	0.0	6562.8	38135.3
12-30-15	278,061	57,330	823,080	170,320	0.000	0.000	5905.3	0.0	0.0	0.0	5905.3	41472.7
12-30-16	250,747	51,469	724,614	149,434	0.000	0.000	5403.2	0.0	0.0	0.0	5403.2	44247.8
12-30-17	228,795	46,868	649,691	133,587	0.000	0.000	5015.5	0.0	0.0	0.0	5015.5	46590.2
12-30-18	210,538	43,100	590,431	121,102	0.000	0.000	4701.9	0.0	0.0	0.0	4701.9	48585.1
12-30-19	425,698	67,688	574,432	114,847	0.000	0.000	6899.6	0.0	0.0	0.0	6899.6	51227.8
12-30-20	551,499	81,718	553,241	108,670	0.000	0.000	8088.0	0.0	0.0	0.0	8088.0	54064.4
12-30-21	511,098	75,931	513,042	100,578	0.000	0.000	7512.3	0.0	0.0	0.0	7512.3	56460.4
12-30-22	460,053	69,002	474,553	92,950	0.000	0.000	6840.6	0.0	0.0	0.0	6840.6	58445.8
12-30-23	106,918	25,839	393,605	80,469	0.000	0.000	2935.8	0.0	0.0	0.0	2935.8	59219.6
12-30-24	101,658	24,594	367,377	74,809	0.000	0.000	2781.7	0.0	0.0	0.0	2781.7	59886.4
12-30-25	96,960	23,473	343,459	69,632	0.000	0.000	2642.5	0.0	0.0	0.0	2642.5	60462.3
12-30-26	90,570	22,037	317,259	64,377	0.000	0.000	2473.1	0.0	0.0	0.0	2473.1	60951.9
12-30-27	74,700	18,263	273,224	56,633	0.000	0.000	2075.6	0.0	0.0	0.0	2075.6	61325.6
12-30-28	69,660	17,041	251,870	52,183	0.000	0.000	1931.5	0.0	0.0	0.0	1931.5	61641.3
SUBTOTAL	5792,304	1121,594	15596,815	3253,365	0.000	0.000	113918.0	0.0	0.0	0.0	113918.0	61641.3
REMA ING	636,295	157,600	2131,335	435,101	0.000	0.000	17520.5	0.0	0.0	0.0	17520.5	63329.9
TOTAL OF 33.8 YRS	6428,599	1279,194	17728,150	3688,466	0.000	0.000	131438.5	0.0	0.0	0.0	131438.5	63329.9
CUM PROD	12,564		7,219									
ULTIMATE	6441,163		17735,369									

BASED ON UTMCO PRICING PARAMETERS

PRESENT WORTH PROFILE	PRESENT WORTH M\$
FOR 5.00 PCT,	86289.0
FOR 6.00 PCT,	80521.3
FOR 7.00 PCT,	75440.8
FOR 8.00 PCT,	70941.7
FOR 9.00 PCT,	66926.8

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.



SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF
6 -30- 9

THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES
LOCATED IN TEXAS

PROBABLE RESERVES

PERIOD ENDING	GROSS OIL/COND MBBL	NET OIL/COND MBBL	GROSS GAS MMCF	NET GAS MMCF	GROSS NGL MBBL	NET NGL MBBL	GROSS REVENUE M\$	PROD+AV TAXES M\$	NET CAP COST M\$	OPERATING EXPENSE M\$	NET REVENUE M\$	CUM P.W. 10.000% M\$
12-30- 9	19,800	2,970	133,459	5,723	0,000	0,000	222.7	0.0	0.0	0.0	222.7	214.5
12-30-10	93,649	15,099	507,819	24,060	0,000	0,000	1214.7	0.0	0.0	0.0	1214.7	1318.0
12-30-11	604,402	132,719	3163,060	560,280	0,000	0,000	13280.7	0.0	0.0	0.0	13280.7	12160.6
12-30-12	1136,057	264,911	5355,542	989,066	0,000	0,000	26479.7	0.0	0.0	0.0	26479.7	32032.0
12-30-13	1160,989	273,369	4316,643	695,501	0,000	0,000	26024.6	0.0	0.0	0.0	26024.6	49839.4
12-30-14	922,764	215,108	3567,374	529,837	0,000	0,000	20837.9	0.0	0.0	0.0	20837.9	62814.2
12-30-15	737,792	169,883	3063,883	425,260	0,000	0,000	16878.6	0.0	0.0	0.0	16878.6	72360.3
12-30-16	631,182	144,218	2770,844	362,445	0,000	0,000	14665.8	0.0	0.0	0.0	14665.8	79899.1
12-30-17	557,321	126,728	2566,092	319,194	0,000	0,000	13183.5	0.0	0.0	0.0	13183.5	86058.5
12-30-18	501,506	113,725	2407,112	287,085	0,000	0,000	12090.3	0.0	0.0	0.0	12090.3	91192.8
12-30-19	515,226	110,807	6990,617	402,869	0,000	0,000	12466.2	0.0	0.0	0.0	12466.2	95994.1
12-30-20	471,920	101,697	6172,004	361,477	0,000	0,000	11403.8	0.0	0.0	0.0	11403.8	100003.5
12-30-21	381,521	87,367	1054,864	194,667	0,000	0,000	9325.7	0.0	0.0	0.0	9325.7	102976.8
12-30-22	366,513	82,870	980,156	180,489	0,000	0,000	8812.7	0.0	0.0	0.0	8812.7	105529.6
12-30-23	316,593	74,583	901,317	166,271	0,000	0,000	7967.6	0.0	0.0	0.0	7967.6	107628.9
12-30-24	298,411	70,412	841,359	154,729	0,000	0,000	7504.4	0.0	0.0	0.0	7504.4	109427.3
12-30-25	282,341	66,728	787,307	144,282	0,000	0,000	7096.6	0.0	0.0	0.0	7096.6	110972.6
12-30-26	268,014	63,445	738,362	134,799	0,000	0,000	6731.4	0.0	0.0	0.0	6731.4	112305.4
12-30-27	251,919	59,965	687,334	125,478	0,000	0,000	6349.4	0.0	0.0	0.0	6349.4	113448.7
12-30-28	219,063	52,901	604,262	112,348	0,000	0,000	5615.1	0.0	0.0	0.0	5615.1	114368.4
SUBTOTAL	9736,983	2229,505	47609,410	6175,860	0,000	0,000	228151.4	0.0	0.0	0.0	228151.4	114368.4
REMAING	1563,463	384,071	4461,263	863,691	0,000	0,000	41089.5	0.0	0.0	0.0	41089.5	118258.9
TOTAL OF 49.5 YRS	11300,446	2613,576	52070,673	7039,551	0,000	0,000	269240.9	0.0	0.0	0.0	269240.9	118258.9
CUM PROD	3,111		49,240									
ULTIMATE	11303,557		52119,913									

BASED ON UTMCO PRICING PARAMETERS

PRESENT WORTH PROFILE
 FOR 5.00 PCT, PRESENT WORTH M\$ 168724.7
 FOR 6.00 PCT, PRESENT WORTH M\$ 156011.3
 FOR 7.00 PCT, PRESENT WORTH M\$ 144837.1
 FOR 8.00 PCT, PRESENT WORTH M\$ 134945.0
 FOR 9.00 PCT, PRESENT WORTH M\$ 126134.2

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.



SUMMARY PROJECTION OF RESERVES AND REVENUE
AS OF
6 -30- 9

THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES
LOCATED IN TEXAS

POSSIBLE RESERVES

PERIOD ENDING	GROSS OIL/COND MBBL-----	NET OIL/COND MBBL-----	GROSS GAS MMCF-----	NET GAS MMCF-----	GROSS NGL MBBL-----	NET NGL MBBL-----	GROSS REVENUE M\$-----	PROD-AV TAXES M\$-----	NET CAP COST M\$-----	OPERATING EXPENSE M\$-----	NET REVENUE M\$-----	CUM P.W. 10.000% M\$-----
12-30-9	28.425	4.657	284.925	12.210	0.000	0.000	355.6	0.0	0.0	0.0	355.6	343.7
12-30-10	114.722	18.162	980.778	41.813	0.000	0.000	1496.9	0.0	0.0	0.0	1496.9	1709.8
12-30-11	96.472	14.110	1312.886	48.067	0.000	0.000	1284.6	0.0	0.0	0.0	1284.6	2772.6
12-30-12	115.750	15.860	4446.659	764.601	0.000	0.000	5650.1	0.0	0.0	0.0	5650.1	6969.4
12-30-13	479.667	101.138	8743.083	1733.779	0.000	0.000	18446.4	0.0	0.0	0.0	18446.4	19490.2
12-30-14	1011.390	223.613	9038.961	1666.926	0.000	0.000	28552.6	0.0	0.0	0.0	28552.6	37199.5
12-30-15	1087.515	244.475	7356.974	1191.819	0.000	0.000	28082.4	0.0	0.0	0.0	28082.4	53079.5
12-30-16	1021.011	229.872	6568.580	972.932	0.000	0.000	26021.8	0.0	0.0	0.0	26021.8	66444.2
12-30-17	915.495	204.635	5986.916	824.699	0.000	0.000	23392.2	0.0	0.0	0.0	23392.2	77380.5
12-30-18	768.291	168.709	5447.299	704.754	0.000	0.000	19842.7	0.0	0.0	0.0	19842.7	85810.3
12-30-19	670.218	144.966	5068.510	621.830	0.000	0.000	17425.5	0.0	0.0	0.0	17425.5	92536.8
12-30-20	646.050	134.523	8215.447	663.479	0.000	0.000	16487.0	0.0	0.0	0.0	16487.0	98316.3
12-30-21	647.723	129.300	12254.359	743.541	0.000	0.000	16231.9	0.0	0.0	0.0	16231.9	103494.3
12-30-22	603.511	119.558	11363.655	684.295	0.000	0.000	14982.3	0.0	0.0	0.0	14982.3	107838.4
12-30-23	910.585	152.913	10610.435	639.486	0.000	0.000	17640.9	0.0	0.0	0.0	17640.9	112488.4
12-30-24	595.839	112.119	9812.521	586.568	0.000	0.000	13693.6	0.0	0.0	0.0	13693.6	115777.7
12-30-25	445.001	91.491	9099.929	541.093	0.000	0.000	11576.9	0.0	0.0	0.0	11576.9	118300.3
12-30-26	328.017	74.841	2633.543	327.711	0.000	0.000	9059.3	0.0	0.0	0.0	9059.3	120097.2
12-30-27	292.957	68.698	1325.881	270.249	0.000	0.000	8185.8	0.0	0.0	0.0	8185.8	121572.0
12-30-28	278.696	65.356	1235.347	250.735	0.000	0.000	7745.1	0.0	0.0	0.0	7745.1	122839.2
SUBTOTAL	11057.335	2318.996	121786.688	13290.587	0.000	0.000	286153.6	0.0	0.0	0.0	286153.6	122839.2
REMAING	2327.608	544.635	10328.618	2124.344	0.000	0.000	64828.1	0.0	0.0	0.0	64828.1	128856.5
TOTAL OF 49.5 YRS	13384.943	2863.631	132115.306	15414.931	0.000	0.000	350981.7	0.0	0.0	0.0	350981.7	128856.5
CUM PROD	0.751		121.315									
ULTIMATE	13385.694		132236.621									

BASED ON UTMCO PRICING PARAMETERS

PRESENT WORTH PROFILE
FOR 5.00 PCT, PRESENT WORTH M\$ 200770.3
FOR 6.00 PCT, PRESENT WORTH M\$ 182340.1
FOR 7.00 PCT, PRESENT WORTH M\$ 166292.6
FOR 8.00 PCT, PRESENT WORTH M\$ 152223.2
FOR 9.00 PCT, PRESENT WORTH M\$ 139826.0

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

Table V

3. **U. T. San Antonio and U. T. Health Science Center – San Antonio:
Discussion and appropriate action regarding review of the operation
and structure of institutions**

RECOMMENDATION

Chairman Huffines will lead a discussion concerning a review of the operation and structure of The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio. Recently, community leaders have raised the question of the feasibility of a merger of these two institutions. Chairman Huffines, Chancellor Cigarroa, Executive Vice Chancellor Shine, and Executive Vice Chancellor Prior ask the Board to review the background provided and discuss this matter in light of current conditions.

BACKGROUND INFORMATION

In 2001, the 77th Texas Legislature passed Senate Bill 1840, which instructed The University of Texas System Board of Regents to conduct a feasibility study of operating The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio as a single research university. An outside consultant, retained by the Board to assist with review of this possibility, conducted interviews with 80 individuals, individually and in small groups. The consultant's report to the Board identified potential benefits and advantages of the proposed change as well as potential legal, administrative, or practical problems.

The U. T. System Board of Regents considered the consultant's report and made recommendations and commitments, communicated by then U. T. System Board of Regents' Chairman Charles Miller to the Lieutenant Governor of Texas and to the Speaker of the Texas House of Representatives on September 21, 2002, excerpted as follows:

2002 Recommendations Regarding Changes in Operation of the Institutions

- a. *The Board recommends against operation of the two institutions as a single research university at this time.*
- b. *Increased collaboration between U. T. San Antonio and U. T. Health Science Center – San Antonio would be mutually beneficial, and the Board respectfully recommends that the Legislature seek ways to promote and reward collaborative activities.*

2002 Commitments

- a. *The Board commits to the implementation of strategic alliances that will enhance educational programs and research and add value to the community and region.*
 - b. *As preparation for strategic alliances, the Board will encourage each institution to clarify its focus and develop a clear strategic direction that engages faculty, staff, and students.*
 - c. *The Board will direct the implementation of specific performance measures such as patents, patents pending, nondisclosure agreements, and aggregate research awards to track the growth of research at each institution.*
4. **U. T. Tyler: Authorization to grant a license to Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine campus to serve the campus facility**

RECOMMENDATION

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

- a. enter into a license with Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine campus to serve the campus facility; and
- b. authorize the Executive Director of Real Estate to execute the license agreement and such other related documents, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

U. T. Tyler is seeking authorization to enter into a license with Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine campus located at 100 University Boulevard, Palestine, Texas, to provide for permanent electrical service to the Campus Expansion Classroom Building. Construction on the new facility began

on February 2, 2009, and occupancy is expected in March 2010, prior to the summer semester. Without permanent electrical service, construction of the building will not be completed on schedule, leading to delays, cost increases, and disruptions during the academic year.

5. **U. T. System: Discussion and appropriate action regarding the U. T. System Research Incentive Program**

RECOMMENDATION

The Chancellor, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for External Relations, recommends that \$10,000,000 of Permanent University Fund (PUF) Bond Proceeds be appropriated to provide additional funding to build and enhance research infrastructure for The University of Texas System Research Incentive Program to benefit the four emerging research institutions as designated by the Texas Higher Education Coordinating Board: The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, and The University of Texas at San Antonio.

The U. T. System Research Incentive Program will provide one-time matching funds to assist the four U. T. System institutions identified above in leveraging private gifts for the enhancement of research productivity and faculty recruitment. Per the Texas Constitution, PUF Bond Proceeds may only be used to fund capital and equipment items related to the educational mission of the U. T. System and its institutions. The gifts will be matched using the following criteria:

- Gifts of \$500,000 to \$999,999 from a single source will be matched at 10% (creating a matching gift possibility ranging from \$50,000 to \$99,999)
- Gifts of \$1,000,000 to \$2,499,999 from a single source will be matched at 20% (creating a matching gift possibility ranging from \$200,000 to \$499,999)
- Gifts of \$3,000,000 to \$4,999,999 from a single source will be matched at 30% (creating a matching gift possibility ranging from \$900,000 to \$1,499,999)
- Gifts of \$5,000,000 or greater from a single source will be matched at 50% (with a matching cap of \$2.5 million)

U. T. System Administration will assist the eligible U. T. System institutions to record and accept the gifts. The program is proposed to begin on October 13, 2009, and will last for 12 calendar months or until all funds are awarded, whichever comes first.

BACKGROUND INFORMATION

Following the successful results of the Texas Research Incentive Program (TRIP) created by the 81st Legislature, U. T. System proposes a similar extension of the program to continue the momentum of stimulating research-oriented, transformational gifts to U. T. System's four emerging research institutions. The U. T. System Board of Regents approved on August 20, 2009, a delegation of authority to Vice Chancellor Safady to facilitate the acceptance of gifts and to ensure compliance with requirements of the Texas Higher Education Coordinating Board related to this Program.

Specifically, the U. T. System Research Incentive Program will provide one-time matching funds to assist the four U. T. System emerging research institutions to utilize private gifts for the enhancement of research productivity and faculty recruitment. U. T. System matching funds will be provided through the PUF and private gifts designated for research-oriented purposes.

The U. T. System Research Incentive Program will complement the August 20, 2009, U. T. System Board of Regents approval of \$30,000,000 of PUF funds for the Science and Technology Acquisition and Retention (STARs) program, \$5,000,000 in Available University Fund (AUF) appropriations for recruitment at U. T. Austin, and \$6,132,554 of AUF funds in U. T. Systemwide Microsoft license renewal costs, all aimed at hiring outstanding faculty necessary to elevate the platform of academic and research excellence across the U. T. System. The additional cost savings achieved at each U. T. System institution by not having to pay more Microsoft license renewal costs are now available to match their respective faculty STARs program awards.

A qualifying gift is defined as all cash, cash equivalents, marketable securities, closely held securities, money market holdings, partnership interests, minerals, and life insurance proceeds designated for research purposes. Additional gifts can be new personal or real property originally donated for research purposes that can be converted to cash.

The U. T. System Research Incentive Program will be administered through the U. T. System Office of External Relations and the Office of Academic Affairs. A gift will be certified as of the date it is deposited by the institution in a depository bank or invested by the institution. A noncash gift will be certified on the date it is converted to cash. All gifts require appropriate U. T. System validation before matching funds can be confirmed. Prominent naming opportunities associated with new gifts will need authorization from the Office of External Relations and the Office of Academic Affairs, in consultation with the Board of Regents.