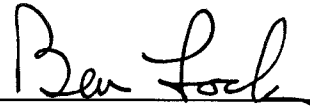


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| Attachment 26 | ASU President's Report  |
| Attachment 27 | ASU SGA President's Report  |

I, Ben Lock, the duly appointed and qualified Secretary of the Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the Minutes of the Texas Tech University System Board of Regents meeting on December 15-16, 2011.

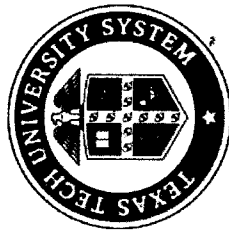
  
\_\_\_\_\_  
Ben Lock  
Secretary

SEAL



NEPC, LLC

YOU DEMAND MORE. So do we. <sup>SM</sup>



## **Texas Tech University System**

### **Investment Performance Analysis**

December 15, 2011

KC Connors, CFA, CAIA, Partner  
Michael P. Manning, CFA, CAIA, Managing Partner  
Sebastian Grzejka, Consultant

**25**  
Years  
1986-2011

One Main Street, Cambridge, MA 02142 | TEL: 617.374.1300 | FAX: 617.374.1313 | [www.nepc.com](http://www.nepc.com)

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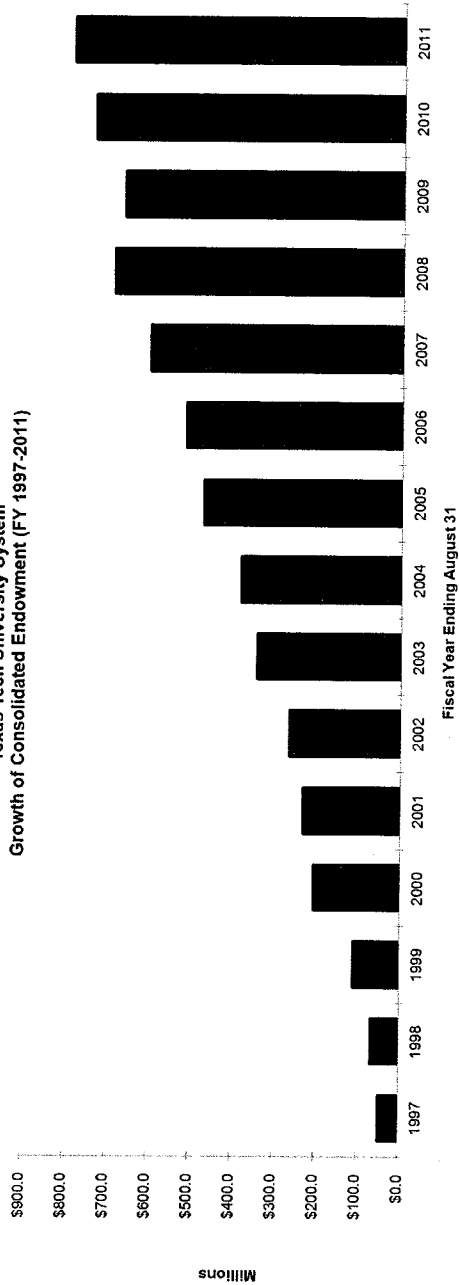
| <u>Tab</u> |                                    |
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| 1          | Endowment Update                   |
| 2          | Market Environment and NEPC Update |
| 3          | Executive Summary                  |
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# Endowment Update

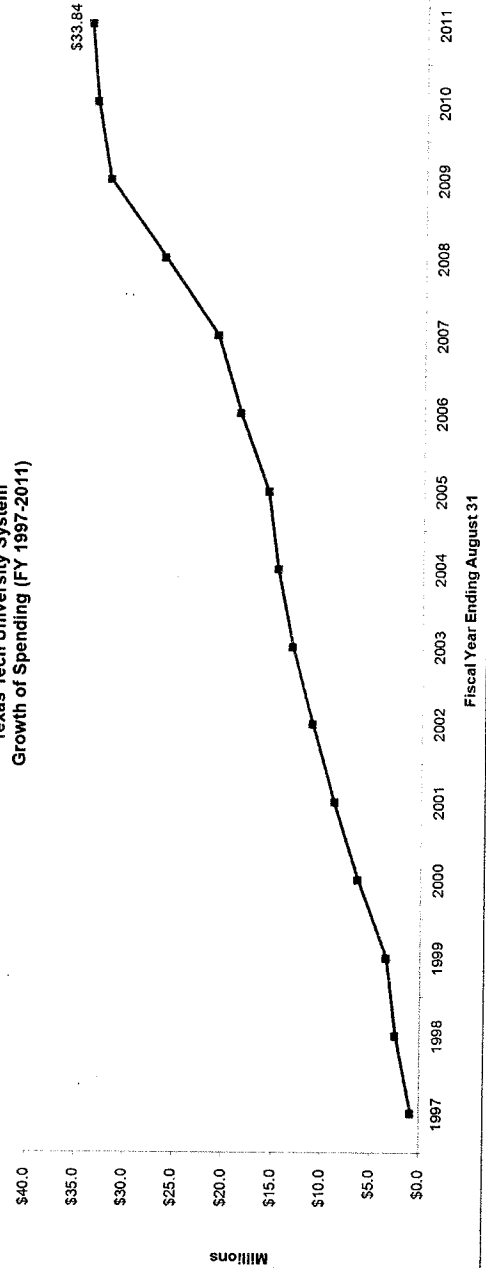


# Endowment Size & Spending by Fiscal Year

Texas Tech University System  
Growth of Consolidated Endowment (FY 1997-2011)

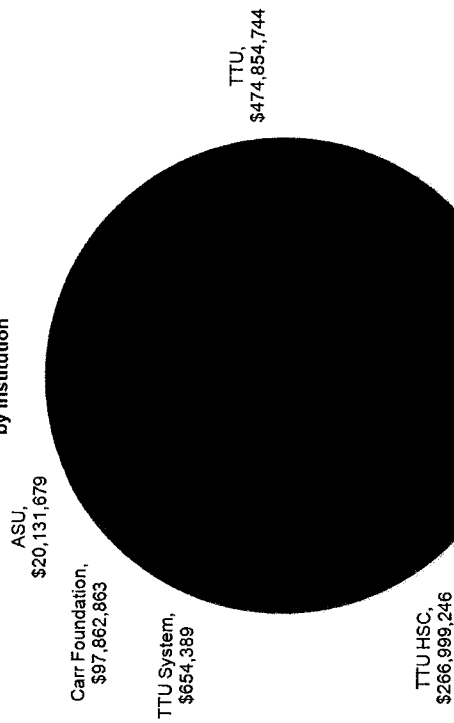


Texas Tech University System  
Growth of Spending (FY 1997-2011)

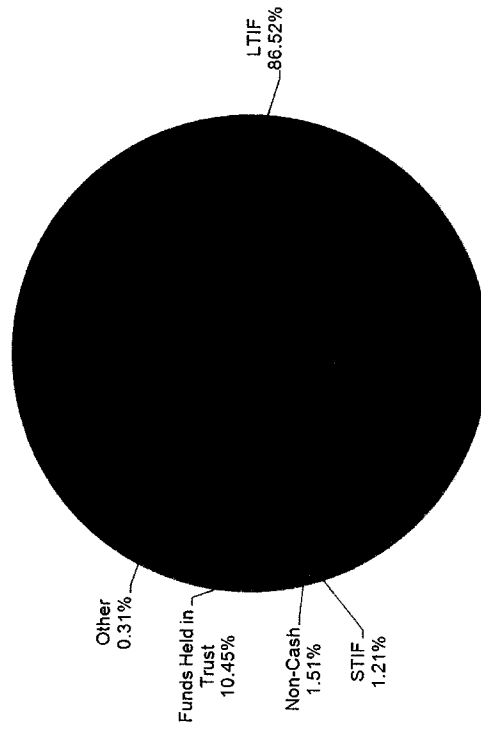


# Total Endowment

Texas Tech University System  
 Endowment Breakout  
 by Institution

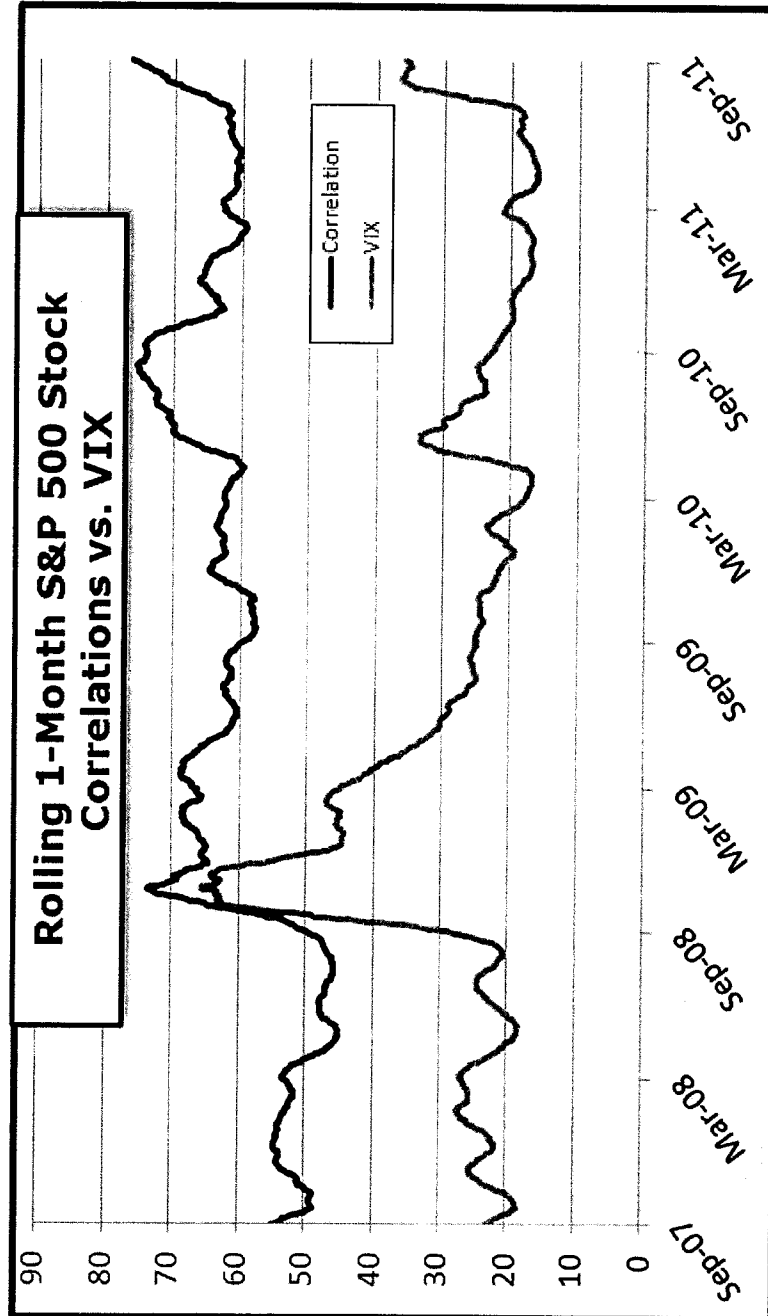


Texas Tech University System  
 Endowment Breakout  
 by Pool



# Market Environment and Update

## Inter-stock Correlations



- Inter-stock correlations have remained elevated since 2008. Both correlations and the VIX spiked in Q3.

## September 30, 2011

[illegible]

# Annual Periodic Table of Hedge Fund Returns

|                | 1995    | 1996   | 1997   | 1998   | 1999   | 2000   | 2001   | 2002   | 2003   | 2004   | 2005   | 2006   | 2007   | 2008   | 2009   | 2010   | YTD 2011 |
|----------------|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|
| Emerg Mkts     | 34.5%   | 28.59% | 21.46% | 47.23% | 44.82% | 14.88% | 9.51%  | 7.42%  | 28.75% | 12.46% | 17.36% | 20.46% | 20.26% | 30.03% | 11.34% |        |          |
| L-S Equity     | 23.03%  | 17.12% | 17.18% | 15.33% | 15.33% | 2.06%  | 5.84%  | 7.36%  | 17.27% | 11.56% | 9.88%  | 14.38% | 9.27%  | 19.47% |        |        |          |
| Market Neutral | 17.04%  | 16.6%  | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31% | 13.31%   |
| Emerg Mkts     | -16.91% |        |        |        |        | -5.52% | -3.65% | -1.6%  |        |        |        |        |        |        |        |        |          |
| L-S Equity     |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |          |
| Market Neutral |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |          |
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| L-S Equity     |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |          |
| Market Neutral |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |          |
| Emerg Mkts     |         |        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |          |



October 31, 2011

# Annual Periodic Table of Sector Returns

|                   | 1995   | 1996   | 1997   | 1998   | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2009 | 2010 | YTD 2011 |
|-------------------|--------|--------|--------|--------|------|------|------|------|------|------|------|------|------|------|------|----------|
| Consumer Services |        |        | 39.42% |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Telecom           | 38%    |        | 36.75% |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services | 28.73% | 21.22% | 28.37% | 29.56% |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Services |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |
| Consumer Goods    |        |        |        |        |      |      |      |      |      |      |      |      |      |      |      |          |



## Third Quarter 2011 NEPC Observations and Opportunities

- **Key risks remain**
  - Slowing growth in US amidst political uncertainty
  - Evolving Euro-zone crisis
  - Threats to growth in developing world
- **Global challenges will likely lead to continued short-term market volatility**
  - Equity market declines and low bond yields are putting investors in a difficult position
  - Nevertheless, the expected return premium for risky assets appears to be improving
- **Maintain disciplined approach to investing**
  - Review the risks in your portfolios
  - Re-balance toward targets, essentially buying on the dips
- **Pursue opportunities in the current environment:**
  - Emerging markets debt and equity
  - Active strategies that can take advantage of macro-driven events
  - Less directional approaches to portfolio structuring, i.e. equity long short as an equity substitute
  - Distressed and event-driven strategies to take advantage of restructurings, particularly in Europe
- **Prepare to adjust asset allocation to reflect evolving relationships of risk and return**

## Evolving Crises: 2008 vs. Current Landscape

| 2008  | 2011  |
|---|---|
| <ul style="list-style-type: none"> <li>• <b>Securitizes/sub-prime credit crisis</b></li> <li>• <b>Major bank failure (Lehman) served as catalyst</b></li> <li>• <b>Major liquidity squeeze</b> <ul style="list-style-type: none"> <li>– Over leveraged financials/hedge funds</li> <li>– Shore term lending frozen (TED spread peaked at 467 bps)</li> <li>– Flight to quality = Treasuries</li> </ul> </li> <li>• <b>S&amp;P 500 P-E (trailing) = 17.2</b> <ul style="list-style-type: none"> <li>– VIX peaked at 80</li> </ul> </li> <li>• <b>Optimism priced in across markets leading into crisis</b></li> <li>• <b>Response to crisis – QE1 followed by QE2</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Developed sovereign credit crisis</b></li> <li>• <b>Sovereign debt concerns and declining economic growth serve as catalyst</b></li> <li>• <b>Less leverage across system today</b> <ul style="list-style-type: none"> <li>– Flight to quality = Treasuries and gold(?)</li> <li>– Reasonable liquidity and tighter money market standards</li> <li>– TED spread still low at 36 bps</li> </ul> </li> <li>• <b>S&amp;P 500 P-E (trailing) = 12.4</b> <ul style="list-style-type: none"> <li>– VIX peaked at 40</li> </ul> </li> <li>• <b>Optimism priced into corporate earnings</b> <ul style="list-style-type: none"> <li>– But growth and inflation expectations are tepid</li> </ul> </li> <li>• <b>Response to crisis – fewer fiscal and monetary tools available</b></li> </ul> |

## NEPC Updates

- **Research Initiatives**
  - Long/Short Equity Healthcare Sector Funds: The Case for Specialization
    - White Paper posted to NEPC's research website <http://www.nepc.com/research/>
  - NEPC sponsoring new P&I Asset Allocation Knowledge Center
    - [http://www.pionline.com/knowledge/asset\\_allocation/](http://www.pionline.com/knowledge/asset_allocation/)
    - Provides investors white papers, research, presentations and multimedia on asset allocation
- **Professional Additions**
  - Brad Smith, CFA, CEBS, Partner
    - Joined NEPC's Atlanta office from Hewitt Ennisknupp
  - David Barnes, CFA, Senior Consultant
    - Joined NEPC's Atlanta office from Hewitt Ennisknupp
  - Phillip R. Nelson, CFA, Traditional Assets Research Consultant
    - Joined NEPC from Pinnacle West Capital Corporation
  - Charles D. Tedeschi, Private Markets Consultant
    - Joined NEPC from NewSpring Capital
- **Industry Recognition**
  - Winner of the 2011 aiCIO "Industry Innovation" consultant award
  - NEPC clients nominated for Small Public Plan-of-the-Year by Institutional Investor
    - Public Safety Personnel Retirement System of the State of Arizona
    - San Bernardino County Employees' Retirement Association (SBCERA)
  - Kristin M. Reynolds, CFA, CAIA, Senior Consultant, Nominated for Consultant of the Year for the 2011 Nonprofit Awards for Excellence
- **In the Press**
  - KC Connors, CFA, CAIA, Partner, interviewed by aiCIO
- **Upcoming Events**
  - NEPC 2012 Market Update Client Webinar – January 24, 2012

# Executive Summary

# Executive Summary

## Portfolio Commentary

- **Goals & Objectives**
  - Goal: To exceed the CPI + 5% and the Target Policy Index
  - Time Period: Rolling five year period
  - Target allocation approved on January 1, 2010
    - Texas Tech has intentionally adopted a portfolio with a more conservative risk posture than that of peers
- **Recent Decisions**
  - Adjust target asset allocation over the next six months:
    - Increasing constrained equity to 26%
    - Decrease non-constrained equity and non-constrained real assets
  - Manager Transitions:
    - Approved allocation to **Arclight** at \$17.5 million (Private Real Assets)
    - Approved **Sterling** for \$15 million (Private Equity)
    - Approved the termination of **Hunter** and **Kingdon**, effective 12/31/2011 (Non-Constrained Equity)

### Recommended Actions

- Begin Constrained-Equity manager searches
- Plan to diversify private real assets program during 2012

### Ongoing Activities

- The committee is considering an allocation to Iron Point and is currently reviewing references
- Monthly conference calls to review the portfolio and evaluate attractive investment opportunities

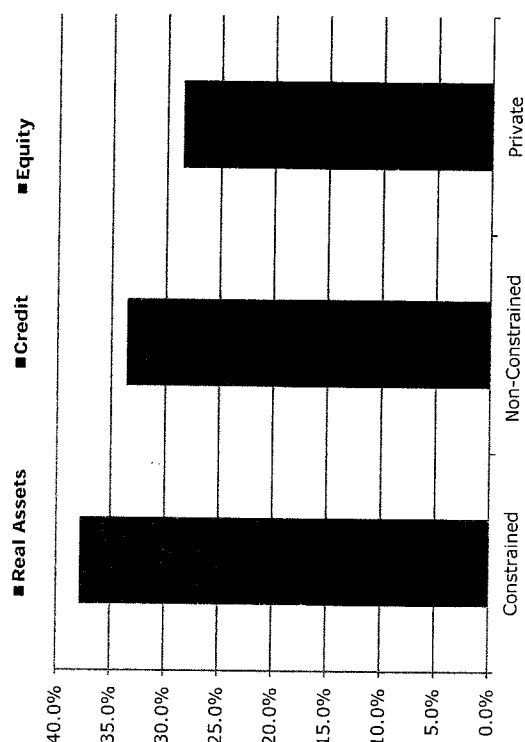
## Total Return

|                             | Quarter | YTD  | Last Year | Last 3 Years | Last 5 Years |
|-----------------------------|---------|------|-----------|--------------|--------------|
| Total Return                | -6.4    | -3.0 | 1.7       | 2.3          | 2.8          |
| E/F Fund over \$500m Rank*  | 55      | 74   | 82        | 75           | 59           |
| Median E/F Fund over \$500m | -6.1    | 0.5  | 4.3       | 3.3          | 3.3          |
| Policy Index                | -4.9    | 0.2  | 5.8       | 5.4          | 3.0          |

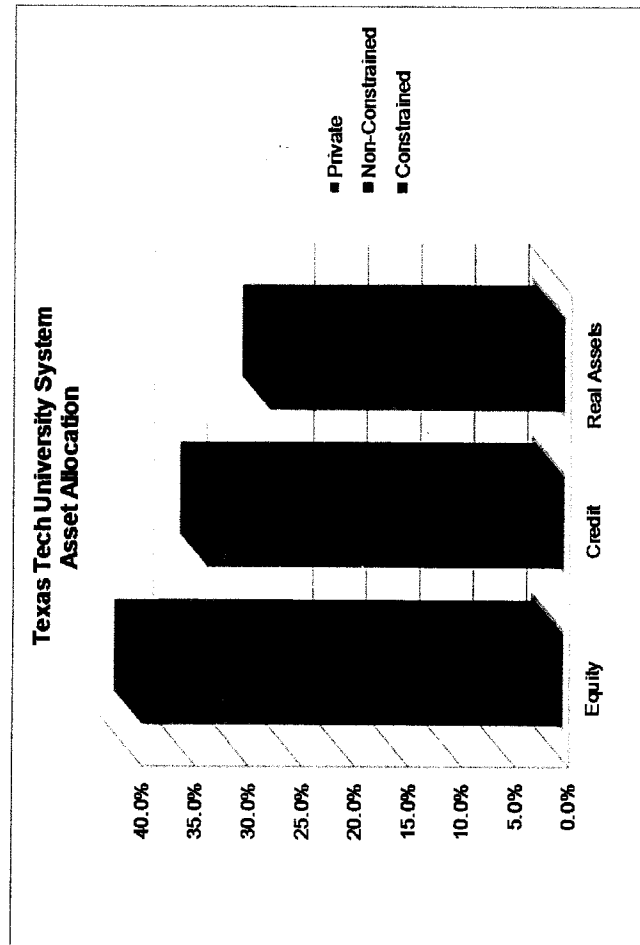
Periods longer than one year are annualized

\*Rankings versus E/F Funds with over \$500M; 1=best, 100=worst.  
 \*\* The total E&F over \$500m universe includes ~30 plans with ~\$78,040 Million in assets

## Current Allocation



|               | Constrained |        |                 | Non-Constrained |        |                 | Private |        |                 | TOTAL  |        |                 |
|---------------|-------------|--------|-----------------|-----------------|--------|-----------------|---------|--------|-----------------|--------|--------|-----------------|
|               | Target      | Actual | Allowable Range | Target          | Actual | Allowable Range | Target  | Actual | Allowable Range | Target | Actual | Allowable Range |
| Equity        | 20.0%       | 23.0%  | 20-40%          | 15.0%           | 13.9%  | 10-20%          | 10.0%   | 7.8%   | 5-15%           | 45.0%  | 44.8%  | 35-75%          |
| Domestic      |             | 11.3%  | 10-20%          |                 | 9.8%   | 5-10%           |         | 7.8%   | 5-10%           |        | 28.9%  | 20-40%          |
| International |             | 11.8%  | 10-20%          |                 | 4.1%   | 5-10%           |         | 0.0%   | 0-5%            |        | 15.9%  | 15-35%          |
| Credit        | 10.0%       | 12.3%  | 10-15%          | 10.0%           | 12.8%  | 5-15%           | 10.0%   | 6.3%   | 5-10%           | 30.0%  | 31.3%  | 5-40%           |
| Real Assets   | 5.0%        | 4.0%   | 5-10%           | 10.0%           | 6.5%   | 5-15%           | 10.0%   | 13.4%  | 5-10%           | 25.0%  | 23.9%  | 10-35%          |
| TOTAL         | 35.0%       | 39.3%  | 35-65%          | 35.0%           | 33.2%  | 20-50%          | 30.0%   | 27.5%  | 15-35%          | 100.0% | 100.0% | 100.0%          |



## Noteworthy Strategy Performance

- **Notable Outperformers**
  - Despite considerable volatility in the markets, several of the asset class composites outperformed their respective benchmarks
  - **Non-Constrained Equity outperformed** its benchmark, the CSFB Long Short Equity index, **by 350 bps**
  - **Constrained Real Assets outpaced** its benchmark, the DJ UBS index, **by 130 bps**
  - **Non-Constrained Credit outperformed** its benchmark, the CSFB Multi-Strategy index, **by 90 bps**
  - **Constrained Equity outperformed** its benchmark, the MSCI ACWI, **by 50 bps**
- **Notable Underperformers**
  - Non-Constrained Real Assets
  - The **Non-Constrained Real Assets significantly underperformed**, trailing its benchmark by **12.1 percentage points**
    - Wesley, Chilton and Blenheim all significantly underperformed the policy benchmark
  - Private Markets
  - All three **private asset class** composites **underperformed** the Venture Economics All PE benchmark during the quarter

## Noteworthy Manager Performance

- **Notable Outperformers**
  - **Comac\*** (+5.9% vs. -3.7%)
    - COMAC tends to be uncorrelated to traditional equity and bond indices, so outperformance in difficult markets is not uncommon
    - The portfolio was positioned with the expectation of continued stress in the Eurozone
    - In September, long US dollar and negative equity exposures also helped performance
  - **Discovery\*** (+6.2% vs. -9.8%)
    - The fund's European shorts made 8.7% gross, while long/short US equities made 170bps
    - The fund's long exposure to Venezuelan credit cost the fund 300bps. Discovery has trimmed this position in advance of the election there in late October

\*Appendix includes detailed information regarding the investment managers





## Notable Manager Performance

- **Notable Underperformers**
  - **Blenheim (-14.0% vs. HFR -5.0%)**
    - The selloff in the commodity markets was detrimental to performance during the quarter
    - Much of the negative performance occurred in September due to the positioning of the fund
      - Concentrated risk in three positions: long palladium/platinum, long grains and long base metals (aluminum)
      - During September, all three areas performed terribly: corn posted its worst month in 50 years, platinum and palladium prices fell with declining auto sales abroad, and aluminum declined almost 12%
  - **Chilton (-20.8% vs. HFR -5.0%)**
    - Chilton is one of the more directional managers in the commodities space and, much like Blenheim, was particularly hurt by the selloff in commodity markets
    - Largest source of negative performance came from extremely poor performance in long coal names.
    - Although Chilton underperformed the HFRI FoF index, the fund outperformed the manager specific benchmark, the S&P Natural Resources index, which fell 23.2% during the quarter
  - **Wesley (-26.2% vs. HFR -5.0%)**
    - The long equities portfolio was the greatest contributor to the portfolio's losses during the quarter
    - Holdings in Sunrise Senior Living, Brookdale Senior Living and Glimcher Realty Trust were a drag on the portfolio

# Performance Summary

| Target Weight | Weight in Fund | Composite (Gross)                    | Composite (Net) | Policy Index | Annualized Returns |               |              |           |             |            |             |           |                 |        | Inception Date | Ending Market Value | Cumulative Cont./Dstr.* | Adjusted Market Value |
|---------------|----------------|--------------------------------------|-----------------|--------------|--------------------|---------------|--------------|-----------|-------------|------------|-------------|-----------|-----------------|--------|----------------|---------------------|-------------------------|-----------------------|
|               |                |                                      |                 |              | Last Month         | Last 3 Months | Year to-Date | Last Year | Three Years | Five Years | Seven Years | Ten Years | Since Inception |        |                |                     |                         |                       |
| 100.0%        | 100.0%         | Composite (Gross)                    | Composite (Net) | Policy Index | -3.8%              | -6.4%         | -3.0%        | 1.7%      | 2.3%        | 2.8%       | 6.4%        | 7.4%      | 7.9%            | Aug-96 | \$753,830,067  | (\$1,548,947)       | \$752,281,120           |                       |
| 20.0%         | 21.1%          | Total Constrained Equity             | MSCI ACWI       | -8.4%        | -16.9%             | -13.0%        | -5.1%        | n/a       | n/a         | n/a        | n/a         | n/a       | 0.9%            | Jan-10 | \$158,704,493  |                     |                         |                       |
| 2.7%          | 2.7%           | Stratim & Company                    | -9.4%           | -17.4%       | -13.6%             | -6.0%         | 0.6%         | -1.6%     | 3.5%        | 4.5%       | n/a         | n/a       | 9.0%            | Oct-08 | \$20,361,012   |                     |                         |                       |
| 2.6%          | 2.6%           | First Eagle                          | -4.9%           | -10.3%       | -2.8%              | 3.2%          | n/a          | n/a       | n/a         | n/a        | n/a         | n/a       | 5.0%            | Oct-08 | \$19,820,789   |                     |                         |                       |
| 2.0%          | 2.0%           | Lone Cascade                         | -9.0%           | -19.5%       | -16.0%             | -1.1%         | n/a          | n/a       | n/a         | n/a        | n/a         | n/a       | -14.4%          | Jun-11 | \$15,399,823   |                     |                         |                       |
|               |                | S&P 500                              | -9.1%           | -14.4%       | n/a                | n/a           | 1.1%         | 1.2%      | -1.2%       | 2.3%       | 2.8%        | n/a       | 12.0%           | Jul-09 | \$10,530,985   |                     |                         |                       |
| 1.4%          | 1.4%           | Times Square Smid Growth             | -7.0%           | -13.9%       | -8.7%              | 1.1%          | 0.3%         | n/a       | n/a         | n/a        | n/a         | n/a       | 12.2%           | Sep-09 | \$10,290,698   |                     |                         |                       |
|               |                | Russell 2500 Growth                  | -9.2%           | -19.7%       | -12.5%             | 0.3%          | 0.6%         | 4.6%      | 1.9%        | 5.1%       | 6.3%        | n/a       | 6.8%            | Jul-08 | \$14,982,462   |                     |                         |                       |
| 1.4%          | 1.4%           | Westwood Smid Value                  | -10.9%          | -21.4%       | -13.3%             | 0.6%          | -2.7%        | 0.1%      | -1.7%       | 3.1%       | 7.2%        | n/a       | 4.6%            | Jul-08 | \$30,450,668   |                     |                         |                       |
| 2.0%          | 2.0%           | Axiom Int'l Equity Fund II           | -12.5%          | -22.2%       | -16.0%             | -2.7%         | -4.7%        | -3.7%     | 7.9%        | n/a        | n/a         | n/a       | -6.0%           | Sep-09 | \$16,161,580   |                     |                         |                       |
|               |                | MSCI AC World ex USA (net)           | -10.7%          | -21.1%       | -16.3%             | -4.7%         | -14.4%       | -10.8%    | -1.1%       | -3.5%      | 3.3%        | 5.0%      | -7.1%           | Nov-09 | \$6,241,295    |                     |                         |                       |
| 4.0%          | 4.0%           | Silchester Int'l Value Equity        | -12.9%          | -22.6%       | -21.3%             | -14.4%        | -0.3%        | -0.3%     | -1.1%       | -3.5%      | 3.3%        | 5.0%      | 3.9%            | Dec-09 | \$14,465,181   |                     |                         |                       |
|               |                | MSCI EAFE                            | -11.1%          | -19.9%       | -16.8%             | -10.8%        | -9.4%        | -15.0%    | -1.1%       | -3.5%      | 3.3%        | 5.0%      | -6.0%           | Jan-10 | \$106,599,488  |                     |                         |                       |
| 2.1%          | 2.1%           | Westwood Emerging                    | -9.5%           | -19.0%       | -15.0%             | -9.4%         | -14.6%       | -18.2%    | n/a         | n/a        | n/a         | n/a       | 3.8%            | Dec-09 | \$16,868,243   |                     |                         |                       |
| 0.8%          | 0.8%           | iShares MSCI Emerging                | -11.9%          | -19.2%       | -18.2%             | -14.6%        | -20.2%       | -25.6%    | n/a         | n/a        | n/a         | n/a       | -5.9%           | Sep-09 | \$13,400,600   |                     |                         |                       |
| 1.9%          | 1.9%           | Mondrian Emerging                    | -17.9%          | -26.3%       | -25.6%             | -20.2%        | -13.8%       | -17.0%    | n/a         | n/a        | n/a         | n/a       | -1.1%           | Mar-10 | \$13,678,274   |                     |                         |                       |
|               |                | MSCI Emerging Mkts                   | -10.8%          | -17.1%       | -17.0%             | -13.8%        | -16.1%       | -21.9%    | 6.3%        | 4.9%       | 12.2%       | 16.1%     | 4.7%            | Dec-06 | \$15,630,778   |                     |                         |                       |
|               |                | Total Non-Constrained Equity         | -14.6%          | -22.6%       | -21.9%             | -16.1%        | -4.7%        | -7.8%     | n/a         | n/a        | n/a         | n/a       | -1.5%           | Jun-10 | \$14,601,465   |                     |                         |                       |
| 15.0%         | 14.1%          | CSFB Long Short Equity               | -3.7%           | -6.3%        | -7.8%              | -4.7%         | -3.7%        | -9.1%     | 3.2%        | 3.0%       | 5.5%        | 5.9%      | -0.4%           | Aug-10 | \$15,651,914   |                     |                         |                       |
| 2.2%          | 2.2%           | Glenrock Global Partners             | -5.2%           | -9.8%        | -9.1%              | -3.7%         | -2.4%        | -12.5%    | n/a         | n/a        | n/a         | n/a       | -5.5%           | Dec-10 | \$15,680,320   |                     |                         |                       |
| 1.8%          | 1.8%           | Hunter Global Long/Short Equity      | -1.6%           | 0.2%         | -3.7%              | -2.4%         | -12.5%       | -15.3%    | n/a         | n/a        | n/a         | n/a       | -7.4%           | Jan-08 | \$1,087,894    |                     |                         |                       |
| 1.8%          | 1.8%           | M. Kingston Offshore                 | -5.6%           | -12.7%       | -15.3%             | -12.5%        | -14.8%       | -19.0%    | n/a         | n/a        | n/a         | n/a       | 4.7%            | Jan-10 | \$81,373,634   | \$1,174,045         | \$82,547,679            |                       |
| 2.1%          | 2.1%           | Wexford Offshore                     | -8.2%           | -17.5%       | -19.0%             | -14.8%        | -2.6%        | -6.8%     | n/a         | n/a        | n/a         | n/a       | -1.2%           | Dec-09 | \$16,161,580   |                     |                         |                       |
| 1.9%          | 1.9%           | Santlyn Capital                      | -5.5%           | -7.2%        | -8.2%              | -2.6%         | -4.3%        | -8.8%     | n/a         | n/a        | n/a         | n/a       | -1.6%           | Dec-09 | \$16,868,243   |                     |                         |                       |
| 2.1%          | 2.1%           | Artha Emerging Markets Fund          | -6.2%           | -10.6%       | -8.8%              | -4.3%         | -4.6%        | -8.8%     | n/a         | n/a        | n/a         | n/a       | 4.5%            | Jan-08 | \$106,599,488  |                     |                         |                       |
| 2.1%          | 2.1%           | Discovery Global Opportunity         | -2.4%           | -2.2%        | -4.7%              | -4.6%         | n/a          | n/a       | n/a         | n/a        | n/a         | n/a       | n/a             | Jan-10 | \$81,373,634   | \$1,174,045         | \$82,547,679            |                       |
| 0.1%          | 0.1%           | OZ Asia Overseas Fund (Holdback)     | 3.0%            | 6.2%         | 4.9%               | n/a           | n/a          | n/a       | n/a         | n/a        | n/a         | n/a       | n/a             | Jan-10 | \$81,373,634   | \$1,174,045         | \$82,547,679            |                       |
| 10.0%         | 10.8%          | Total Private Equity <sup>3</sup>    | n/a             | 2.1%         | 12.8%              | 16.5%         | n/a          | n/a       | n/a         | n/a        | n/a         | n/a       | 14.1%           | Jan-10 | \$81,373,634   | \$1,174,045         | \$82,547,679            |                       |
|               |                | Venture Economics All Private Equity | n/a             | 4.2%         | 17.4%              | 23.0%         | 5.6%         | 9.4%      | 12.8%       | 8.2%       |             |           |                 |        |                |                     |                         |                       |

Composite:  
- Calculated by taking the actual asset class weights times the actual manager return.  
Policy Index:  
- Calculated by taking the target asset weights times the return of the respective passive benchmark (re-balanced monthly). Measures the effectiveness of Plan Structure.

# Performance Summary

| Target Weight | Weight in Fund                       | Last Month | Last 3 Months | Year to-Date | Last Year | Three Years | Annualized Returns |             |           |                 |        | Inception Date | Ending Market Value | Cumulative Cont./Distr.* | Adjusted Market Value |
|---------------|--------------------------------------|------------|---------------|--------------|-----------|-------------|--------------------|-------------|-----------|-----------------|--------|----------------|---------------------|--------------------------|-----------------------|
|               |                                      |            |               |              |           |             | Five Years         | Seven Years | Ten Years | Since Inception |        |                |                     |                          |                       |
| 10.0%         | 12.9%                                | -1.6%      | -0.9%         | 1.1%         | 0.7%      | 2.7%        | 3.4%               | 3.4%        | 3.6%      | 3.8%            | Jan-10 | \$97,357,466   |                     |                          |                       |
|               | BC Aggregate                         | 0.7%       | 3.8%          | 6.6%         | 5.3%      | 8.0%        | 6.5%               | 5.6%        | 5.7%      | 1.9%            | Mar-02 | \$56,812,365   |                     |                          |                       |
| 7.5%          | Cash                                 | 0.0%       | 0.0%          | 0.1%         | 0.1%      | 0.5%        | 2.0%               | 2.3%        | n/a       | 2.0%            |        |                |                     |                          |                       |
|               | 90 Day T-Bills                       | -1.7%      | -1.1%         | 1.9%         | 1.0%      | n/a         | n/a                | n/a         | n/a       | 5.8%            | Oct-09 | \$20,624,069   |                     |                          |                       |
| 2.7%          | Pimco Total Return                   | 0.7%       | 3.8%          | 6.6%         | 5.3%      | 8.0%        | 6.5%               | 5.6%        | 5.7%      | 6.7%            |        |                |                     |                          |                       |
|               | BC Aggregate                         | -5.5%      | -3.9%         | 0.4%         | -0.9%     | n/a         | n/a                | n/a         | n/a       | 7.6%            | Nov-09 | \$19,921,032   |                     |                          |                       |
| 2.6%          | Wellington EMD                       | -4.2%      | -1.8%         | 3.2%         | 1.3%      | 11.7%       | 7.8%               | 8.7%        | 10.5%     | 8.4%            |        |                |                     |                          |                       |
|               | JP Morgan EMBI                       |            |               |              |           |             |                    |             |           |                 |        |                |                     |                          |                       |
| 10.0%         | 12.9%                                | -1.2%      | -2.8%         | 1.2%         | 4.1%      | n/a         | n/a                | n/a         | n/a       | 5.7%            | Jan-10 | \$97,508,583   |                     |                          |                       |
|               | Total Non-Constrained Credit         | -2.4%      | -3.7%         | 0.5%         | 4.6%      | 6.2%        | 4.0%               | 5.7%        | 6.5%      | 7.7%            | Mar-04 | \$15,673,086   |                     |                          |                       |
| 2.1%          | CSFB Multi-Strategy                  | -1.6%      | -1.5%         | 1.9%         | 3.8%      | 5.0%        | 5.8%               | 8.0%        | n/a       | 11.1%           | May-03 | \$11,590,252   |                     |                          |                       |
| 1.5%          | GMO GAAR                             | -1.7%      | -4.7%         | 0.1%         | 1.8%      | 9.8%        | 10.5%              | n/a         | n/a       | 4.9%            | Dec-06 | \$16,112,343   |                     |                          |                       |
| 2.1%          | King Street Capital                  | -1.2%      | -3.9%         | -0.2%        | 1.6%      | 7.8%        | n/a                | n/a         | n/a       | 1.4%            | Jan-08 | \$15,804,690   |                     |                          |                       |
| 2.1%          | Davidson Kemper Inst Purs            | -5.0%      | -8.6%         | -7.3%        | 0.5%      | 11.5%       | 3.1%               | 5.5%        | n/a       | 6.3%            | May-03 | \$9,364,726    |                     |                          |                       |
| 1.2%          | Fir Tree Int'l Value Fund            | -2.4%      | -5.5%         | -4.4%        | -4.0%     | 4.8%        | n/a                | n/a         | n/a       | 5.5%            | Apr-11 | \$16,878,237   |                     |                          |                       |
| 2.2%          | Taconic Offshore Fund                | 3.8%       | 5.9%          | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | n/a             | Mar-08 | \$2,527,185    |                     |                          |                       |
| 0.3%          | Comac                                | n/a        | n/a           | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | n/a             | Feb-06 | \$1,130,425    |                     |                          |                       |
| 0.3%          | Silver Point Capital (Holdback)      | n/a        | n/a           | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | n/a             | Dec-02 | \$8,427,639    |                     |                          |                       |
| 0.1%          | Shepherd Investments                 | n/a        | n/a           | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | n/a             | Jan-10 | \$54,627,909   | (\$1,980,130)       | \$52,647,779             |                       |
| 1.1%          | Ariel Fund <sup>2</sup>              | n/a        | n/a           | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | 14.1%           |        |                |                     |                          |                       |
| 10.0%         | 7.2%                                 | n/a        | 1.1%          | 10.7%        | 17.9%     | n/a         | n/a                | n/a         | n/a       | 14.1%           | Jan-10 | \$54,627,909   | (\$1,980,130)       | \$52,647,779             |                       |
|               | Total Private Credit <sup>3</sup>    | n/a        | 4.2%          | 17.4%        | 23.0%     | 5.6%        | 9.4%               | 12.8%       | 8.2%      |                 |        |                |                     |                          |                       |
|               | Venture Economics All Private Equity |            |               |              |           |             |                    |             |           |                 |        |                |                     |                          |                       |
| 5.0%          | 3.8%                                 | -13.9%     | -10.0%        | -8.0%        | 3.5%      | n/a         | n/a                | n/a         | n/a       | 7.6%            | Jul-10 | \$28,677,960   |                     |                          |                       |
|               | Total Constrained Real Assets        | -14.7%     | -11.3%        | -13.6%       | 0.0%      | -5.7%       | -1.1%              | 0.9%        | 5.9%      |                 |        |                |                     |                          |                       |
| 1.9%          | Dow Jones US                         | -13.9%     | -10.7%        | -9.2%        | 4.6%      | n/a         | n/a                | n/a         | n/a       | -9.2%           | Jul-10 | \$14,467,165   |                     |                          |                       |
| 1.9%          | Gresham ETAP                         | -13.9%     | -8.4%         | -7.1%        | n/a       | n/a         | n/a                | n/a         | n/a       | -7.1%           | Dec-10 | \$14,210,795   |                     |                          |                       |
|               | Wellington Commodities               |            |               |              |           |             |                    |             |           |                 |        |                |                     |                          |                       |
| 10.0%         | 6.8%                                 | -12.7%     | -17.1%        | -19.9%       | -8.9%     | n/a         | n/a                | n/a         | n/a       | -4.9%           | Jan-10 | \$49,761,411   |                     |                          |                       |
|               | Total Non-Constrained Real Assets    | -2.8%      | -5.0%         | -5.3%        | -1.8%     | 0.1%        | 0.4%               | 2.7%        | 3.5%      |                 |        |                |                     |                          |                       |
| 1.6%          | HFRI Fund of Funds                   | -15.5%     | -14.0%        | -19.6%       | -5.9%     | n/a         | n/a                | n/a         | n/a       | 2.0%            | Oct-09 | \$11,978,080   |                     |                          |                       |
| 1.6%          | Blenheim Global Macro                | -18.9%     | -20.8%        | -25.1%       | -13.6%    | n/a         | n/a                | n/a         | n/a       | -7.6%           | Mar-10 | \$11,771,361   |                     |                          |                       |
| 1.6%          | Chilton Global Natural Resources     | -12.4%     | -26.2%        | -23.5%       | -17.6%    | n/a         | n/a                | n/a         | n/a       | -14.8%          | Apr-10 | \$12,321,649   |                     |                          |                       |
| 1.6%          | Wesley Capital                       | -3.7%      | -6.0%         | n/a          | n/a       | n/a         | n/a                | n/a         | n/a       | -14.4%          | Apr-11 | \$13,690,321   |                     |                          |                       |
| 1.8%          | Graham                               |            |               |              |           |             |                    |             |           |                 |        |                |                     |                          |                       |
| 10.0%         | 10.5%                                | n/a        | 3.9%          | 12.1%        | 17.5%     | 3.7%        | 8.7%               | n/a         | n/a       | 8.5%            | Aug-06 | \$79,219,123   | (\$742,862)         | \$78,476,261             |                       |
|               | Private Real Assets <sup>3</sup>     | n/a        | 4.2%          | 17.4%        | 23.0%     | 5.6%        | 9.4%               | 12.8%       | 8.2%      |                 |        |                |                     |                          |                       |
|               | Venture Economics All Private Equity |            |               |              |           |             |                    |             |           |                 |        |                |                     |                          |                       |

Notes: 1. Performance is net of fee unless otherwise indicated.  
2. Estimated valuation pending the orderly liquidation of the fund.  
3. Valuations for Private Equity, Credit and Real Assets reported as of June 30th, 2011.  
\* Reflects cashflows to private investments since last valuation period. Currently shows net cashflows since June 30th, 2011.



# Private Equity & Real Assets Commitment Summary

| Partnership Name                          | Vintage Year | Commitment  | Paid In Capital | Capital To Be Funded | Additional Fees | Cumulative Distributions | Valuation   | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR      |
|---|--------------|-------------|-----------------|----------------------|-----------------|--------------------------|-------------|-------------|-------------|------------|-----------|------------|----------|
| 1 GS Vintage Fund IV                      | 2006         | 10,000,000  | 7,264,292       | 2,735,708            | 100,053         | 1,407,520                | 7,735,037   | 9,142,557   | 1,778,212   | 73 %       | 0.19      | 1.24       | 6.80 %   |
| 2 GS Vintage Fund V                       | 2008         | 10,000,000  | 5,077,232       | 4,922,768            | 19,049          | 718,460                  | 5,715,335   | 6,433,795   | 1,337,514   | 51 %       | 0.14      | 1.28       | 16.68 %  |
| 3 Irving Place Capital Partners III, L.P. | 2006         | 12,000,000  | 8,954,237       | 3,045,763            | 0               | 0                        | 8,927,920   | 8,927,920   | -26,317     | 75 %       | 0.00      | 1.00       | -0.11 %  |
| 4 Main Street Capital II                  | 2006         | 5,000,000   | 2,789,921       | 0                    | 0               | 800,408                  | 2,771,710   | 3,672,117   | 802,168     | 55 %       | 0.29      | 1.28       | 6.74 %   |
| 5 OCM European Principal Opportunity F    | 2006         | 5,000,000   | 4,650,000       | 350,000              | 0               | 569,532                  | 7,505,487   | 8,075,019   | 3,425,019   | 93 %       | 0.12      | 1.74       | 12.28 %  |
| 6 OCM Opportunities Fund VIIb             | 2002         | 5,000,000   | 5,000,000       | 0                    | 0               | 8,780,373                | 200         | 8,780,573   | 3,780,573   | 100 %      | 1.76      | 1.76       | 45.28 %  |
| 7 OCM Opportunities Fund VII              | 2007         | 5,000,000   | 5,000,000       | 0                    | 17,345          | 2,515,448                | 3,935,153   | 6,450,601   | 1,433,256   | 100 %      | 0.50      | 1.29       | 8.26 %   |
| 8 OCM Opportunities Fund VIIb             | 2007         | 20,000,000  | 18,000,000      | 2,000,000            | 2,109           | 8,100,000                | 20,783,488  | 28,883,488  | 10,881,360  | 90 %       | 0.45      | 1.80       | 21.53 %  |
| 9 OCM Principal Fund V                    | 2009         | 5,000,000   | 2,000,000       | 3,000,000            | 0               | 293,562                  | 1,961,342   | 2,254,904   | 254,904     | 40 %       | 0.15      | 1.13       | 11.03 %  |
| 10 OCM Principal Opportunities Fund III   | 2004         | 10,000,000  | 10,000,000      | 0                    | 0               | 8,629,031                | 6,899,439   | 15,528,470  | 5,528,470   | 100 %      | 0.86      | 1.55       | 11.99 %  |
| 11 OCM Principal Opportunities Fund IV    | 2008         | 12,000,000  | 10,799,430      | 1,200,570            | 0               | 394,356                  | 13,154,856  | 13,549,212  | 2,749,782   | 90 %       | 0.04      | 1.25       | 6.55 %   |
| 12 PEI Fund V                             | 2010         | 7,500,000   | 3,081,937       | 4,418,063            | 25,224          | 712,459                  | 2,882,816   | 3,595,275   | 488,114     | 41 %       | 0.23      | 1.16       | 28.28 %  |
| 13 Reservoir Capital Overseas Partners I  | 2005         | 25,000,000  | 20,000,000      | 5,000,000            | 0               | 5,000,000                | 17,237,715  | 22,237,715  | 2,237,715   | 80 %       | 0.25      | 1.11       | 3.05 %   |
| 14 Sterling Group Partners I              | 2003         | 6,000,000   | 4,395,116       | 1,604,884            | 0               | 9,336,205                | 1,898,499   | 11,224,704  | 6,828,588   | 73 %       | 2.12      | 2.55       | 45.54 %  |
| 15 Sterling Group Partners II             | 2005         | 6,000,000   | 5,422,257       | 577,743              | 33,897          | 2,729,287                | 4,453,229   | 7,182,516   | 1,726,363   | 90 %       | 0.50      | 1.32       | 11.06 %  |
| 16 Trident III, L.P.                      | 2004         | 15,000,000  | 14,824,088      | 175,911              | -2,362          | 13,963,062               | 13,881,017  | 27,874,110  | 13,052,383  | 96 %       | 0.94      | 1.88       | 17.69 %  |
| 17 Trident IV, L.P.                       | 2007         | 15,000,000  | 12,883,065      | 2,916,935            | 29,327          | 3,363,011                | 14,390,158  | 17,773,169  | 4,860,777   | 86 %       | 0.26      | 1.38       | 13.42 %  |
| 18 Trident V, L.P.                        | 2010         | 7,500,000   | 1,808,301       | 5,691,699            | -6,402          | 0                        | 1,490,198   | 1,490,198   | -112,701    | 21 %       | 0.00      | 0.93       | -15.73 % |
| 18 Total Partnerships                     |              | 181,000,000 | 141,730,876     | 39,270,302           | 219,240         | 67,362,744               | 135,613,590 | 202,976,324 | 61,027,208  | 78 %       | 0.48      | 1.43       | 13.78 %  |

| Partnership Name                         | Vintage Year | Commitment  | Paid In Capital | Capital To Be Funded | Additional Fees | Cumulative Distributions | Valuation  | Total Value | Net Benefit | Call Ratio | DPI Ratio | TVPI Ratio | IRR      |
|--|--------------|-------------|-----------------|----------------------|-----------------|--------------------------|------------|-------------|-------------|------------|-----------|------------|----------|
| 1 Alcon Real Estate Partners Parallel Fu | 2006         | 10,000,000  | 9,745,230       | 254,770              | 0               | 0                        | 5,783,119  | 5,783,119   | -3,962,111  | 97 %       | 0.00      | 0.59       | -26.06 % |
| 2 GDK Realty                             | 2004         | 11,585,500  | 11,585,500      | 0                    | 0               | 9,362,800                | 4,958,429  | 14,321,229  | 2,735,729   | 100 %      | 0.81      | 1.24       | 4.50 %   |
| 3 Denham Commodity Partners V            | 2008         | 10,000,000  | 5,443,079       | 4,556,921            | 12,381          | 1,852,581                | 4,274,393  | 6,126,974   | 671,514     | 54 %       | 0.34      | 1.12       | 6.56 %   |
| 4 E2M Partners Value Added Fund          | 2006         | 10,000,000  | 9,462,523       | 537,477              | 0               | 1,093,362                | 7,135,310  | 8,228,672   | -1,233,851  | 95 %       | 0.12      | 0.87       | -4.23 %  |
| 5 EnCap Energy Capital Fund IV-B         | 2002         | 15,000,000  | 15,000,000      | 0                    | 0               | 26,481,802               | 311,963    | 26,793,764  | 11,793,764  | 100 %      | 1.77      | 1.79       | 47.58 %  |
| 6 EnCap Energy Capital Fund V-B          | 2004         | 20,000,000  | 19,739,218      | 260,782              | 0               | 28,531,229               | 3,573,415  | 32,104,645  | 12,365,427  | 89 %       | 1.45      | 1.63       | 18.98 %  |
| 7 EnCap Energy Capital Fund VI-B         | 2006         | 20,000,000  | 17,830,842      | 2,169,158            | 165,002         | 13,558,848               | 14,513,488 | 28,072,336  | 10,076,493  | 89 %       | 0.76      | 1.56       | 20.41 %  |
| 8 EnCap Energy Capital Fund VII-B        | 2007         | 15,000,000  | 10,215,668      | 4,784,334            | 0               | 3,280,831                | 9,948,666  | 13,229,497  | 3,013,831   | 68 %       | 0.32      | 1.30       | 16.80 %  |
| 9 EnCap Energy Capital Fund VIII-B       | 2010         | 15,000,000  | 764,286         | 14,215,715           | 0               | 0                        | 750,420    | 750,420     | -33,866     | 5 %        | 0.00      | 0.96       | -6.97 %  |
| 10 EnCap Energy Infrastructure Fund      | 2009         | 15,000,000  | 6,047,088       | 8,952,904            | -17,458         | 0                        | 6,943,172  | 9,133,534   | 913,534     | 40 %       | 0.00      | 1.15       | 15.19 %  |
| 11 Natural Gas Partners IX               | 2008         | 12,000,000  | 7,173,215       | 4,826,785            | 23,918          | 269,675                  | 9,902,204  | 10,171,879  | 2,974,746   | 60 %       | 0.04      | 1.41       | 20.94 %  |
| 12 Savannah Real Estate Fund I           | 2007         | 10,000,000  | 9,221,723       | 778,277              | -462            | 729,853                  | 7,865,021  | 8,394,874   | -826,387    | 92 %       | 0.08      | 0.91       | -3.97 %  |
| 13 Siguler Gulf Distressed Real Estate O | 2010         | 10,000,000  | 3,500,000       | 6,500,000            | 0               | 0                        | 3,459,523  | 3,459,523   | -40,477     | 35 %       | 0.00      | 0.99       | -1.27 %  |
| 13 Total Partnerships                    |              | 173,585,500 | 125,748,378     | 47,837,122           | 183,381         | 85,160,981               | 79,219,123 | 164,380,104 | 38,448,345  | 72 %       | 0.68      | 1.31       | 14.17 %  |

June 30, 2011

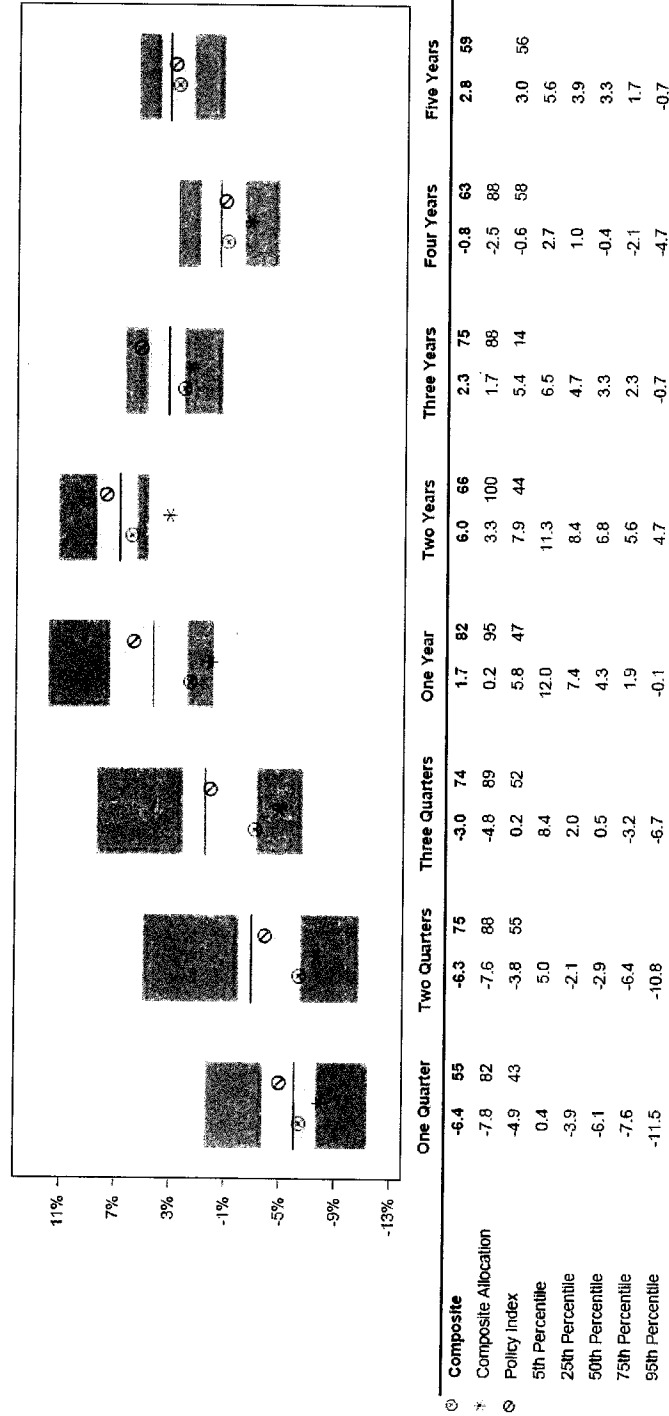


# Total Fund Performance

# Total Fund Performance

**TEXAS TECH UNIVERSITY**  
Total Fund - Universe: E&F Funds Above \$500 Million  
Periods Ending September 30, 2011

## Total Fund Performance - Trailing Periods



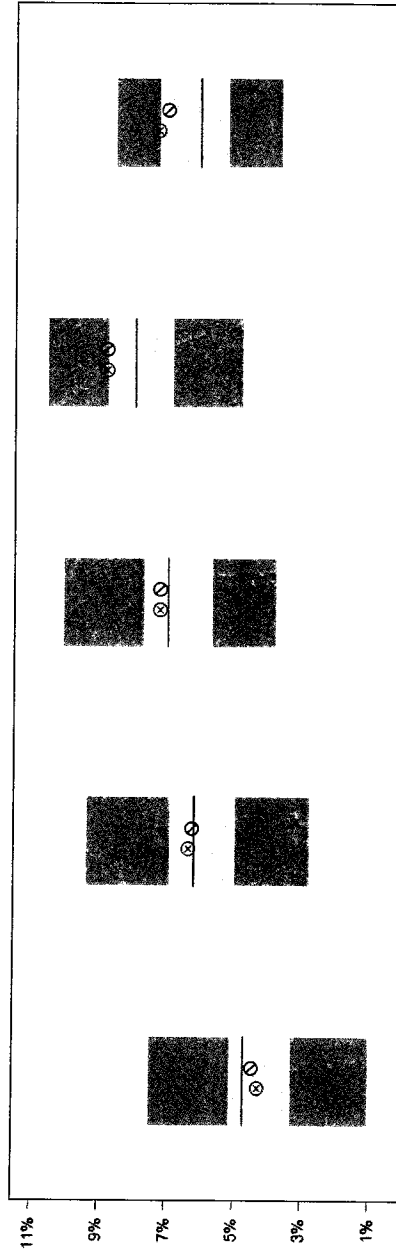
\* The total E&F over \$500m universe includes ~29 plans with ~\$75,199 Million in assets

# Total Fund Performance

## TEXAS TECH UNIVERSITY

Total Fund - Universe: E&F Funds Above \$500 Million  
Periods Ending September 30, 2011

### Total Fund Performance - Trailing Periods



- ⊗ Composite
- ⊙ Policy Index
- 5th Percentile
- 25th Percentile
- 50th Percentile
- 75th Percentile
- 95th Percentile

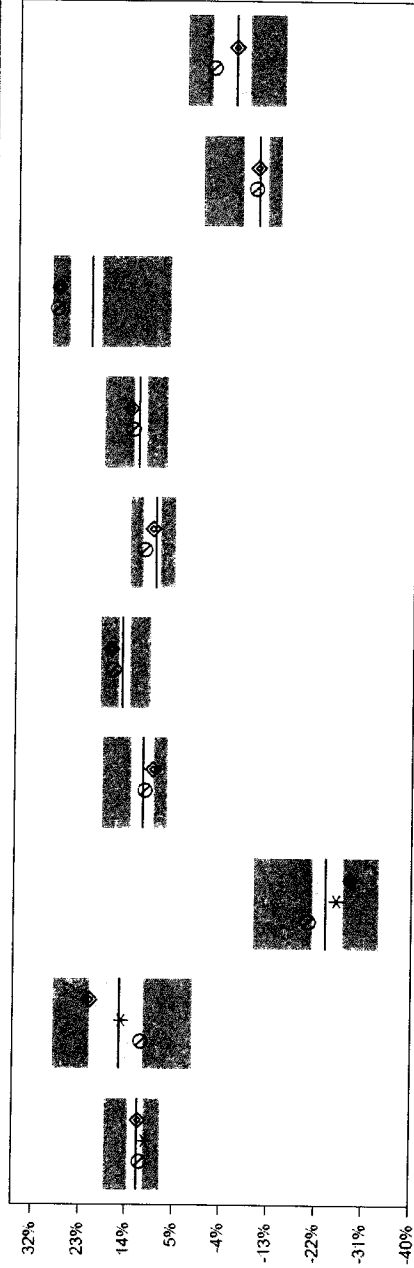
\* The total E&F over \$500m universe includes ~29 plans with ~\$75,199 Million in assets



# Total Fund Performance

**TEXAS TECH UNIVERSITY**  
Total Fund - Universe: E&F Funds Above \$500 Million  
Period Ending December 31, 2010

## Total Fund Performance - One Year Time Periods



TTU significantly outperformed its higher risk peers in down markets

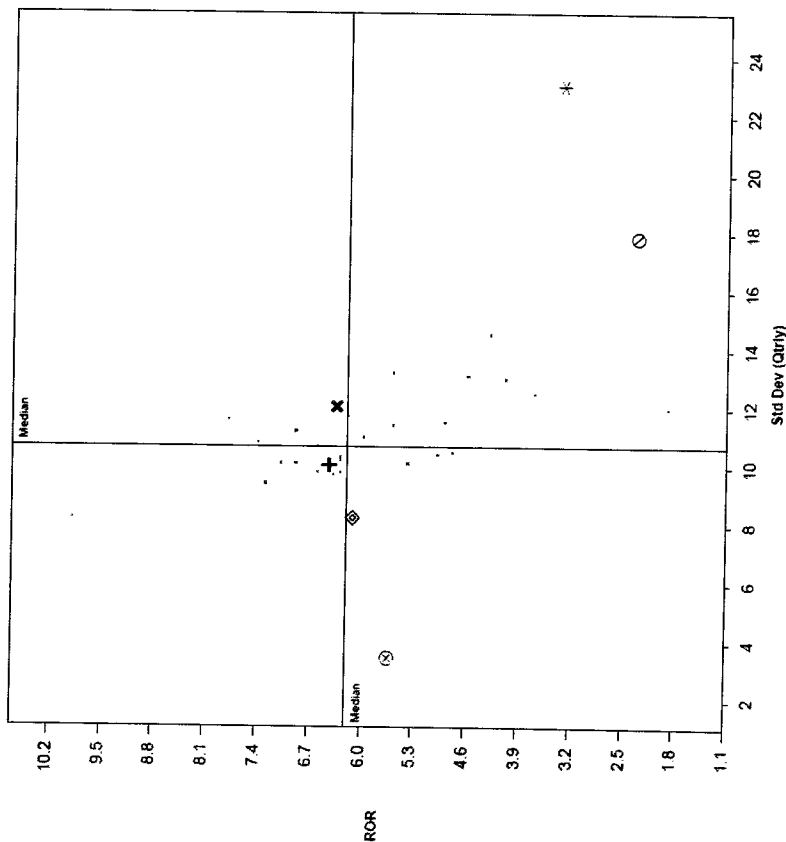
\* The total E&F over \$500m universe includes ~29 plans with ~\$75,199 Million in assets



## 7 Year Risk vs. Return

**TEXAS TECH UNIVERSITY**  
Total Fund - Universe: E&F Funds Above \$500 Million  
Period Ending September 30, 2011

**Risk vs. Return - 7 Year**



\* The total E&F over \$500m universe includes ~29 plans with ~\$75,199 Million in assets



# Manager Summaries

# Constrained Equity

| Manager<br>Funded date             | NEPC FPL | Style                                     | Description  |
|------------------------------------|----------|---|--|
| Stralem<br>10/21/2008              | N        | Large-Cap<br>Value<br>Concentrated        | Stralem looks to add value by purchasing stocks of fundamentally strong growth companies along with those that deliver strong cash flows within structural framework to navigate all market environments. They utilize a Relative Growth Value model which helps identify growth companies that have a higher value than market to ensure not paying too much for growth. Stralem is a value biased sector/category rotating stock shop. They run a concentrated portfolio (27-35 positions) – sectors are selected based on a top down view (macro) and then stocks are purchased within these sectors based on bottom up fundamentals. |
| First Eagle<br>10/15/2008          | N        | Large-Cap<br>Growth<br>Concentrated       | First Eagle Fund is a US Event fund. Selected investments are expected to have an appreciation potential of 40%-60% within 12-18 months. Generally, the gains result from the outcome of major corporate events. First Eagle Fund N.V. typically invests in industries where consolidation is forcing players to restructure and reposition themselves in order to maintain short-term competitiveness and build long-term market dominance. Concentrated portfolio (20-30 positions), often thematic (i.e. Energy) & benchmark agnostic.  |
| Lone Pine<br>Cascade<br>07/01/2011 | N        | All-Cap GARP<br>Concentrated              | Global long only, fundamental, bottom-up approach - some themes (i.e. emerging market consumer). Each investment idea is evaluated individually considering such factors as the business model, financial operations, management, competitors and valuation. Concentrated portfolio (35-75 positions) with Growth-At-a-Reasonable-Price (GARP) characteristics. Since inception, January 2005, average exposure has been 52% US, 3% Japan, 22% Europe & 18% Emerging markets.  |
| Times Square<br>07/06/2009         | Y        | Small/Mid -<br>Cap Growth<br>Concentrated | TimesSquare's universe consists of approximately 1,000 companies with market capitalizations between \$2.5b and \$15b that have demonstrated the ability to grow earnings and sales at least 15% per year – analyst follow 250 companies "closely". TimesSquare uses a three-step process. 1. Identification of superior growth businesses through bottom up fundamental analysis. 2. In-depth analysis & management scrutiny, financial modeling, valuation and establishment of price targets. 3. Portfolios are constructed paying attention to sector and security diversification - (approximately 65 positions).                   |
| Westwood<br>SMID<br>09/21/2009     | Y        | Small/Mid-<br>Cap Value                   | Uses fundamental research and due diligence to find undervalued earnings prospects in high quality companies with limited downside potential. Invest when the stock has 3x more upside than downside, creating an asymmetric reward/risk profile. The portfolio is constructed from an investment universe with a capitalization range of \$100 million to \$8 billion (SMID-Cap) - emphasizing diversification, risk-control and optimization of return potential (45-60 positions).  |

## Constrained Equity - Continued

| Manager<br>Funded date            | NEPC FPL | Style                                       | Description  |
|-----------------------------------|----------|---|--|
| Axiom<br>07/01/2008               | N        | EAFE + EM<br>Growth                         | Axiom employs a bottom-up, growth-oriented investment discipline that relies on detailed fundamental stock analysis to identify companies that are improving more quickly than is generally expected and where the positive changes are not yet reflected in company valuations. Axiom screens this list for companies with signs of earnings acceleration, using an in-house database. These new ideas are identified as a consequence of specific positive fundamental developments in a company's operations. May invest up to 30% of the portfolio in Emerging Markets; does not hedge currency risk - (50-80 positions).  |
| Silchester<br>07/01/2008          | Y        | EAFE + EM<br>Value                          | Silchester is a bottom-up, fundamental value manager. They select stocks based both on value and quality. An ideal investment is a good business, which is soundly financed, well managed, and available at an attractive price. Their investment approach first identifies cheaply priced securities (quantitative screen) and then conducts fundamental research to assess the quality the soundness and the future prospects of the underlying company. Portfolio contains companies with a minimum market cap of \$800MM; may be up to 10% invested in Emerging Markets and 10% in Canada; may hedge up to 20% of the currency risk in the portfolio - (typically 125-150 positions).  |
| Westwood<br>Global<br>09/01/2009  | Y        | Emerging<br>Markets<br>GARP<br>Concentrated | WGI believes that term outperformance is driven by understanding the businesses and investing with managements' whose practices are aligned with minority shareholders' interests. Research is focused on the generation and use of free cash flow. WGI invests in companies whose managements have executed successfully over time. A focused portfolio is the result of conviction. Portfolio consist of companies with greater than \$500MM market cap and liquidity; sector exposure will normally be 0 to index weight +10% points and +/-50% for large sectors; country exposure will normally be 0 to index weight +10% points; DO NOT hedge currency due to expense - (25-31 positions). As of 2011, historical tilt of portfolio has been toward Latin & South America; firm is building out an Asian office. |
| Mondrian<br>Focused<br>12/01/2009 | Y        | Emerging<br>Markets Value<br>Concentrated   | Uses top-down macroeconomic overlay (40%) in conjunction with a bottom-up company selection process (60%) to identify attractive countries, currencies and companies. A fundamental value-oriented approach using a dividend discount methodology. Considers the price movement of individual securities as well as the impact of foreign currency valuation for a United States domiciled, US dollar-based investor when selecting stocks for the Fund. Portfolio contains companies with a market cap of \$3.5BB+ and liquidity = 400 potential companies; may defensively hedge currency or avoid if overvalued & too expensive to hedge - (30-40 positions).   |

## Non-Constrained Equity

| Manager<br>Funded date  | NEPC FPL    | Style                             | Description   |
|-------------------------|-------------|-----------------------------------|---|
| Glenrock<br>01/01/2010  | N           | Long/Short<br>Low Net             | The Fund invests long/short primarily in global securities and options. Significant disparity between market price and valuation of the underlying business is used as selection criteria. The Fund uses a bottom-up value oriented security selection process.   |
| Hunter<br>09/01/2009    | Liquidating | Long/Short<br>Low Net             | Hunter is a diversified, global, low exposure, long/short equity hedge fund. On the long side of the portfolio, the Fund seeks to identify attractive equity positions that are undervalued. On the short side of the portfolio, the Fund seeks to identify overvalued single name securities to short. These positions are a source of alpha. The Fund also will use indices to hedge the portfolio. Central to the portfolio's construction is a focus on maintaining a fairly tight long/short ratio through up and down equity markets. |
| Kingdon<br>03/01/2010   | Liquidating | Long/Short<br>Moderate Net        | The Fund is a highly diversified, opportunistic global long/short equity manager, with varying macro elements. The investment approach combines bottom-up and top-down elements with technical and quantitative analysis.   |
| Wexford<br>01/01/2007   | N           | Long/Short<br>Moderate Net        | Wexford Offshore Spectrum Fund is an opportunistic, multi-strategy hedge fund that employs a macro style with a strong value bias and an emphasis on managing to market cycle and sentiment. Spectrum's goal is to maximize total rates of return while achieving low to-moderate volatility. Wexford, Spectrum's Investment Manager, has particular expertise in bankruptcy/distressed, energy/natural resources, real estate, technology/telecommunication, transportation and trading.   |
| Samlyn<br>07/01/2010    | N           | Long/Short<br>Moderate Net        | Samlyn is a moderate exposure long/short, global equities fund focused on energy, financials, and healthcare. While the Fund does invest in emerging and developed markets outside of the U.S., the bulk of the assets are invested in U.S. companies.  |
| Artha<br>09/01/2010     | Y           | Long/Short<br>Emerging<br>Markets | The Artha Emerging Markets Fund is an emerging markets focused long/short equity fund. Historically, 90%-95% of the portfolio has been in equities, 5%-10% in equity options, and 5% in fixed income. Roughly 70% of the time, options are used as a hedge in the portfolio. The other 30% of the time, options are used to add exposure. The fund runs with moderate gross and net exposure (111% gross and 36% net since inception). The portfolio is fairly diversified with 60-100 positions.   |
| Discovery<br>12/01/2010 | Y           | Long/Short<br>Emerging<br>Markets | Discovery Capital is a thematic, global, diversified, long/short, hedge fund that incorporates a top-down global macro component to the construction of the portfolio. It will invest in a range of instruments, including equities, fixed income and currencies. While the Fund is opportunistic and invests globally, emerging markets have historically been a large source of exposure and attribution for the portfolio.   |

## Private Equity

| Manager<br>Funded date | NEPC FPL | Style                                    | Description   |
|------------------------|----------|--|---|
| PEI                    | n/a      | Secondaries                              | <i>PEI Fund V (2010)</i><br>The Fund will target mature secondary interests in venture capital, buyout, mezzanine and growth equity funds, both in the U.S. and abroad. PEI V will usually seek to acquire fund interests that are at least seven years old and past the investment period with less than 10% of undrawn capital remaining.   |
| Stone Point            | n/a      | Large/Middle Market Buyouts - Financials | <i>Trident III, LP (2004); Trident IV, LP (2007); Trident V, LP (2005)</i><br>The Trident funds invest primarily within the financial services industry. Their process is both top down and bottom up and there is flexibility in the type of investments they seek. Previous investments have included start-up opportunities, buyouts and growth-oriented recapitalizations   |
| Sterling Group         | n/a      | Middle Market Buyouts                    | <i>Sterling Group Partners I (2003); Sterling Group Partners II (2005)</i><br>These funds focus on companies within the manufacturing, distribution and industrial service space, targeting those with enterprise values within the \$100-\$500 million range.  |
| Irving Place           | n/a      | Middle Market Buyouts                    | <i>Irving Place Capital Partners III, LP (2006)</i><br>Irving Place aims to provide mid-market buyouts in three core industry silos: retail, financial services and consumer products. Each industry is then characterized by fragmentation, predictability of cash flows, low capital expenditures and limited competition from other financial sponsors. It is the intent of the strategy to have high level of involvement after investment via active board participation, regular management dialogue and being the lead on company financings, follow on acquisitions and exits.  |
| Goldman Sachs          | n/a      | Secondaries                              | <i>GS Vintage Fund IV (2006); GS Vintage Fund V (2008)</i><br>The Vintage Funds are opportunistic investors, and do not target specific strategy allocations. While the team seeks to create a diversified portfolio, the program is driven more by the team's ability to source, negotiate, and close secondary investments than it is by diversification considerations. Prior funds have been reflective of the overall market, investing approximately 50% of capital in middle market buyout funds, about 20% in large buyouts, 7-10% in venture, and the remainder in credit, special situations, and growth strategies. Geographically, the prior funds have been weighted slightly towards North America, with Funds II and III at 51% and 53% North America, respectively. The balance of the funds is European focused. |

\*NEPC does not maintain an FPL list that includes older vintage year funds.



## Constrained Credit

| Manager<br>Funded date                          | NEPC FPL | Style               | Description  |
|---|----------|---------------------|--|
| PIMCO Total<br>Return<br>10/23/2009             | Y        | Core Plus           | A Core Plus bond strategy that seeks to maximize price appreciation and current income with index-like volatility. TR uses all sectors of the bond market to implement a diversified set of strategies including sector rotation, yield curve positioning, and duration management. Duration is managed within a moderate range (plus or minus 2 years) around the broadest bond market indices. PIMCO's value add has, historically, come from the top-down portion of their process. Under normal circumstances the portfolio is at least 65% in a core of diversified high quality fixed income instruments. TR may invest up to 10% in high yield, up to 30% in foreign currency bonds (and beyond 30% in foreign bonds, if denominated in US\$), up to 15% in Emerging Markets – normal limit of 20% in foreign currency exposures – may invest all of its assets in derivative instruments.  |
| Wellington<br>Emerging<br>Markets<br>11/02/2009 | Y        | Emerging<br>Markets | Wellington's Emerging Markets Debt Strategy seeks to outperform EMD indices by building diversified portfolios that utilize a combination of top-down and bottom-up investment decisions. The investment approach stresses the importance of three major ideas: 1) Emerging markets investing must be approached using a global perspective. 2) Fundamental research of EMD issuers is the principal value-adding element to the investment process. 3) Understanding and mitigating the risks associated with investing in EMD is paramount. With respect to the opportunity in local currencies, Wellington separates the currency and interest rate decision from the country decision, recognizing that either variable can sometimes move independently of the other. Portfolios will be diversified beyond the benchmark constituents, making the strategy "benchmark aware", but risk controlled to a tracking error of 4-6%. The portfolio may invest in emerging markets corporate bonds issued in hard currencies. |

## Non-Constrained Credit

| Manager<br>Funded date            | NEPC FPL | Style                      | Description  |
|-----------------------------------|----------|----------------------------|--|
| GMO GAAR<br>03/01/2004            | Y        | Global Asset<br>Allocation | The GMO Global Allocation Absolute Return Strategy invests in two GMO products, the GMO Benchmark-Free Fund and the GMO Multi-Strategy portfolio, each of which invests in underlying GMO strategies. The underlying portfolios have the flexibility to allocate across both equity and fixed income instruments as well as absolute return strategies. GMO uses proprietary quantitative models and fundamental investment techniques to select the underlying portfolios in which the Strategy invests.  |
| King Street<br>06/01/2003         | Y        | Event<br>Driven/Credit     | King Street's investment strategy is broadly defined as long/short credit and event-driven. The Fund invests at any level of the capital structure (including bank debt, corporate bonds, trade claims and equities) and across a broad spectrum of companies and industries globally. Their approach is fundamental, research intensive and conservative. They seek to produce attractive risk-adjusted returns in all types of market environments by capitalizing on mispriced situations, typically where there is complexity or an event or series of events impacting the current or expected future valuation.  |
| Davidson<br>Kempner<br>01/01/2007 | Y        | Event<br>Driven/Credit     | The Fund uses a distressed securities and special situations strategy, including merger arbitrage. It primarily invests in securities of issuers that are the subject of proposed changes in corporate structure or control, such as tender or exchange offers, mergers, spinoffs, liquidations and re-capitalizations; or which are experiencing financial distress and that are attempting to complete an out-of-court restructuring or are involved in bankruptcy or similar proceedings. For merger arbitrage, it only invests in announced deals. The Fund uses a bottom-up approach and proprietary analytical models to evaluate each potential investment. |
| Fir Tree<br>02/01/2008            | Y        | Event<br>Driven/Credit     | Fir Tree International Value is an opportunistic Multi-Strategy hedge fund focused on value investing. It is the Firm's flagship fund and features a broad mandate across equity, credit, and real estate.   |
| COMAC<br>05/01/2011               | N        | Global Macro               | COMAC Global Macro Fund is a discretionary, directional global macro fund that focuses on fixed income and currencies. The strategy aims to capture directional market movements that commonly have a strong fundamental reasoning based upon economic and political analysis. The fund maintains a diversified portfolio of liquid products primarily in the major fixed income and FX markets. It is medium-term directional in nature with a strong bias to avoiding negative skew in addition to finding attractive risk/reward opportunities.   |



## Private Credit

| Manager<br>Funded date | NEPC FPL | Style              | Description  |
|------------------------|----------|--------------------|--|
| Oaktree                | n/a      | Distressed<br>Debt | <p>OCM Opportunities Fund IVb (2002); OCM Principal Opportunities Fund III (2004); OCM Principal Opportunities Fund IV (2006); OCM Opportunities Fund VII (2007); OCM Opportunities Fund VIb (2007); OCM Principal Fund V (2009)</p> <p>The primary investment strategy of OCM POF V is to obtain control (or significant influence) of primarily middle-market companies, preferably via the purchase of distressed debt and, when such distress-for-control opportunities are not available, through private equity investments. Investments will be made primarily in equity, equity-related and debt obligations of corporations, partnerships, limited liability companies and other similar entities that the investment managers believe are undervalued, offer an opportunity for growth if funded appropriately, and provide an attractive risk/return profile.</p> <p>OCM European Principal Opportunities Fund (2006)</p> <p>This fund focuses on distressed debt opportunities in Europe, and look to make investments specifically in high-quality market leading companies. The team was formed in 2004 and has completed deals in all major European countries.</p> |
| Tennenbaum             | n/a      | DIP Loans          | <p>Tennenbaum DIP Opportunity Fund (2009)</p> <p>The Fund's focus is to make high-yielding loans with a high degree of principle protection. It concentrates its efforts on US based middle market companies, defined as those with between \$50-\$150 million of EBITDA and \$250 million to \$1.5 billion of sales, with strong collateral and ample asset coverage. The DIP Fund's primary goal is to generate an annualized IRR in the mid-teens which translates to a 2x multiple of capital invested over the five year life. The returns are expected to be generated through current income with average investment duration of 12-18 months. The Fund does not utilize leverage except as needed for short-term funding or working capital.</p>   |

\*NEPC does not maintain an FPL list that includes older vintage year funds.



## Constrained Real Assets

| Manager<br>Funded date                  | NEPC/FPL | Style                 | Description  |
|---|----------|-----------------------|--|
| Gresham<br>ETAP<br>08/01/2010           | Y        | Liquid<br>Commodities | The Gresham's ETAP fund utilizes the firm's proprietary construction of commodities exposure, the Tangible Asset Program (TAP). The TAP methodology balances portfolio weighting methodologies based on global production, global liquidity, and global liquidity. The TAP provides a more efficient commodity benchmark by using several metrics to construct exposure to each commodity with more regular oversight and rebalancing than the traditional commodity indices. The ETAP fund combines quantitative signals identifying points of mispricing along the commodity futures curve and the team's experience transacting in commodities markets to determine timing, sizing, and positioning of trades. The fund targets 3-5% alpha through a combination of Near Term Active Management (first 6 months), Term Structure Monetization (further curve flexibility) and the use of a better index (TAP). The fund's target exposure is 50% commodities and 50% commodity-related equities, with the equity portion consisting of 45-60 names. Energy is expected to be the most heavily weighted industry in the portfolio. |
| Wellington<br>Commodities<br>12/22/2010 | Y        | Liquid<br>Commodities | The Wellington Commodities fund invests in commodity-related instruments. This product incorporates the best ideas of Wellington's commodity experts and also utilizes insights from the firm's Macroeconomic, Asset Allocation, and Technical Research teams. The fund aims to outperform its custom index, which is an equal-sector-weighted version of the Goldman Sachs Commodity Index. At present, this equal weighted index consists of the following four sectors: Agriculture & Livestock, Energy, Industrial Metals and Precious Metals.   |

## Non-Constrained Real Assets

| Manager<br>Funded date | NEPC FPL  | Style   | Description   |
|------------------------|---|---|---|
| Blenheim<br>11/01/2009 | N   | Global Macro  | Blenheim is a discretionary global macro investment strategy that invests both long and short in commodities, financial assets, and currencies primarily through futures contracts. Blenheim uses a top-down global macro approach to investing, which utilizes fundamental, geopolitical and technical research and analysis.  |
| Chilton<br>04/01/2010  | Y   | Global<br>Natural<br>Resource<br>Equities<br>Long/short | Chilton Global Natural Resources International II Ltd. is a long/short hedge fund which invests in natural resource securities and commodities. The Fund uses original research to understand fundamental supply/demand characteristics and macro shifts in the natural resource markets. It focuses on owning securities that are attractively priced relative to the intrinsic value of the relevant commodity, and it uses shorts opportunistically to generate alpha and reduce volatility.   |
| Wesley<br>05/01/2010   | N   | REITs<br>Long/Short                                     | Wesley is a fundamental, long short fund that focuses primarily on investments in REITs and other real estate intensive investments. The fund will invest mainly in the United States, however, it has the flexibility to invest in other developed markets such as Japan, Western Europe, Hong Kong, and Australia. Additionally, while the fund focuses on real estate-related investments, it may also take long/short positions in an array of investment vehicles, such as equity, fixed income, futures, options and derivatives.   |
| Graham<br>05/01/2011   | N<br>(FPL for<br>Proprietary<br>Matrix 10V<br>fund) | CTA   | Graham's K4D fund is a systematic global macro program that utilizes multiple proprietary quantitative models to invest across a variety of time horizons and a broad range of markets including global interest rates, foreign exchange, global stock indices and commodities. The holding periods of the underlying strategies range from intraday to several months. Further diversification is achieved through the combination of various investment styles including trend following, relative value, ranking models, short-term momentum, mean reversion, fundamental information, pattern recognition, and spreads trading. |

## Private Real Assets

| Manager<br>Funded date | NEPC FPL | Style                        | Description  |
|------------------------|----------|------------------------------|--|
| EnCap                  | n/a      | Oil & Gas                    | <i>EnCap Energy Capital Fund IV-B (2002); EnCap Energy Capital Fund V-B (2004); EnCap Energy Capital Fund VI-B (2006); EnCap Energy Capital Fund VII-B (2007); EnCap Energy Capital Fund VIII (2010)</i><br>The EnCap Energy Capital Funds concentrate on making growth equity investments in proven management teams of small to mid-sized independent upstream oil and gas companies primarily in the United States and Canada. The Funds' focus of value creation balanced with capital preservation aim to provide investors with attractive returns and downside protection across commodity cycles.  |
| EnCap                  | n/a      | Infrastructure               | <i>EnCap Energy Infrastructure Fund (2009)</i> The Fund makes growth equity investments in the midstream sector of the oil and gas industry in North America. The Fund is managed by a team of 11 professionals separate from the upstream E&P funds.  |
| Natural Gas Partners   | n/a      | Oil & Gas                    | <i>Natural Gas Partners IX (2008)</i><br>The Fund focuses on the sectors of the energy industry that are primarily related to the production and development of crude oil and natural gas in North America. Approximately 90% will be allocated to upstream investments (acquisition & development of energy producing entities and power generation) with the balance to midstream and downstream investments. Additionally, investments will be considered in gathering and processing, energy service and other energy and resource related sectors, both domestic and international.   |
| Denham                 | n/a      | Oil & Gas + Infrastructure   | <i>Denham Commodity Partners V (2008)</i><br>Denham Capital's investments focus on the Natural Resources, Power & Carbon, and Energy Infrastructure sectors. The Fund invests globally, with no limitation on the amount of capital that can be deployed outside the U.S. and Canada. It is actively pursuing investment opportunities in Latin America, Europe, Russia/former CIS, Africa, Asia and Australia.  |
| Reservoir              | n/a      |                              | <i>Reservoir Capital Overseas Partners II (2005)</i><br>The fund seeks to invest in opportunities that exhibit attractive risk-adjusted rates of return and asymmetric risk/reward profiles. The fund is opportunistic in nature and will make both direct and indirect investments.   |
| Siguler Guff           | n/a      | Distressed Real Estate (FOF) | <i>Siguler Guff Distressed Real Estate Opportunities (2010)</i><br>Siguler Guff's first real estate focused fund. The fund pursues distressed real estate opportunities in a diversified set of property types, primarily in the United States, with a target of 15% to non-U.S. investments. Investments will consist primarily of equity interests in commercial property, commercial mortgages and commercial mortgage-backed securities, and the debt and equity securities of real estate operating companies and real estate investment trusts. DREOF will pursue opportunities across the spectrum of the commercial real estate market, including all property types. The Manager will also consider all parts of the capital structure, including senior loans, mezzanine and equity. Current attractive strategies include real estate debt trading, non-performing loans ("loan-to-own"), investing in troubled REITs, and opportunities in the lodging sector. |

\*NEPC does not maintain an FPL list that includes older vintage year funds.



## Private Real Assets - continued

| Manager<br>Funded date | NEPC FPL | Style                       | Description   |
|------------------------|----------|-----------------------------|---|
| Savanna                | n/a      | Real Estate<br>(distressed) | <i>Savanna Real Estate Fund I (2007)</i><br>Fund I will target major markets and central business districts in the northeast and mid-Atlantic corridor of the United States, with a particular emphasis on New York City and the tri-state metropolitan region. The fund invests primarily in distressed, off-market and transitional real estate assets.   |
| Alcion                 | n/a      | Real Estate                 | <i>Alcion Real Estate Partners Parallel Fund (2006)</i><br>Alcion is an opportunistic, value-add investor. In creating Fund I's portfolio, Alcion investment strategy focused on (1) unique, high-margin development and redevelopment investments, and (2) branded residential development and commercial investments (hotel, office, retail and senior housing), with a limited amount of unbranded residential development and apartments. The fund invests primarily in North America.  |
| E2M                    | n/a      | Real Estate                 | <i>E2M Partners Value Added Fund (2006)</i><br>E2M's strategy is one that will focus on capturing opportunities in real estate markets that other might avoid. A large part of the process is to focus on assets and markets that are driven by demographic forces such as job migration and population growth, as well as demographic shifts that may cause wealth transfer. Because of this, they will invest in markets where there is a demand for recreational real estate, second homes and lifestyle centers. Additionally, they will focus on distressed real estate as well as pursue markets they may have difficult regulatory environments. E2M median equity investment is \$8 - \$25 per asset. |
| CDK Realty             | n/a      | Real Estate                 | <i>CDK Realty (2004)</i><br>CDK's strategy is to provide a diversified fund that will invest across retail, office, residential and industrial type properties. The fund will use a three pronged approach to acquiring assets as they can be investments in "ground up" development, redevelopment, or the purchase of stabilized projects. In terms of geographic exposure, the fund is limited to investing in the mid-west United States. Leverage utilized on the fund will amount to 70-80% LTV depending on investment. The holding period on investments will average 3-7 years.  |

\*NEPC does not maintain an FPL list that includes older vintage year funds.



## Information Disclosure

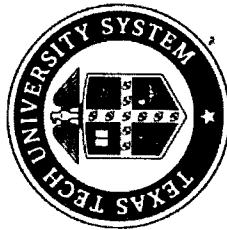
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# **Texas Tech University System** **Capital Markets Review & Outlook**

December 2011



One Main Street, Cambridge, MA 02142 | TEL: 617-374-1300 | FAX: 617-374-1313 | [www.nepc.com](http://www.nepc.com)

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## **Investment Outlook - Summary**

## Summary – A Challenging Market Environment

- **Key risks remain**
  - Deepening Euro-zone crisis
  - US deficit issues, political uncertainty, and Euro-zone risks threaten modestly improving US recovery
  - Threats to growth in developing world
- **Global challenges will likely lead to continued short-term market volatility**
- **Equity market declines and low bond yields are putting investors in a difficult position**
- **Nevertheless, the expected return premium for risky assets appears to be improving**

## Investor Actions and Opportunities

- **Maintain disciplined approach to investing**
  - Review the risks in your portfolios
  - Re-balance toward targets, essentially buying on the dips
- **Pursue opportunities in the current environment:**
  - Emerging markets debt and equity
  - Active strategies that can take advantage of macro-driven events
  - Less directional approaches to portfolio structuring, i.e. equity long short as an equity substitute
  - Distressed and event-driven strategies to take advantage of restructurings, particularly in Europe
- **Prepare to adjust asset allocation to reflect evolving relationships of risk and return**

## Evolving Crises: 2008 vs. Current Landscape

| 2008  | 2011   |
|---|--|
| <ul style="list-style-type: none"> <li>• <b>Securitized/sub-prime credit crisis</b></li> <li>• <b>Major bank failure (Lehman) served as catalyst</b></li> <li>• <b>Major liquidity squeeze</b> <ul style="list-style-type: none"> <li>– Over-leveraged financials/hedge funds</li> <li>– Short-term lending frozen (TED spread peaked at 467 bps)</li> <li>– Flight to quality = Treasuries</li> </ul> </li> <li>• <b>S&amp;P 500 P-E (trailing) = 17.2</b> <ul style="list-style-type: none"> <li>– VIX peaked at 80</li> </ul> </li> <li>• <b>Optimism priced in across markets leading into crisis</b></li> <li>• <b>Response to crisis – QE1 followed by QE2</b></li> </ul> | <ul style="list-style-type: none"> <li>• <b>Developed sovereign credit crisis</b></li> <li>• <b>Sovereign debt concerns and declining economic growth serve as catalysts</b></li> <li>• <b>Less leverage across system today</b> <ul style="list-style-type: none"> <li>– Flight to quality = Treasuries and gold (?)</li> <li>– Reasonable liquidity and tighter money market standards</li> <li>– TED spread still low at 36 bps</li> </ul> </li> <li>• <b>S&amp;P 500 P-E (trailing) = 12.4</b> <ul style="list-style-type: none"> <li>– VIX at 40</li> </ul> </li> <li>• <b>Optimism priced into corporate earnings</b> <ul style="list-style-type: none"> <li>– But growth and inflation expectations are tepid</li> </ul> </li> <li>• <b>Response to crisis – fewer fiscal and monetary tools available</b></li> </ul> |

## Private Equity - US Deal Environment Summary

- **Deal Volume is rebounding off a trough**
  - Transaction value increasing faster than volume
  - Prices rebounding
  - Equity Contribution remains elevated
    - Higher hurdle for target companies
- **Overhang Pressure remains**
  - Lots of unused vintage year 2008 capital remains to be deployed near the end of the investment period
  - Secondary buyout (PE 1 sells to PE 2) valuations are high
  - Volume of PE-Owned companies continues to increase
- **Regulatory / Taxation uncertainty remains**
  - Lack of visibility clouds the potential for a robust deal market

## Real Estate Market Overview

- **Through 3Q-2011, the U.S. recovery remains uncertain, however, real estate has shown some signs of stabilization**
  - Real estate fundamentals have improved and new construction is limited
  - Real estate indices have rebounded since 2009 lows
  - Capitalization rates have declined since 2009
  - Real estate yields remain attractive relative to treasuries
- **Transaction volumes back to pre-Bubble levels, however still well below peak volumes from 2005-2007**
- **Significant capital has flowed into Core real estate which has helped to drive valuations upward**
  - Many core open-end funds have multiple quarter entrance queues
- **Despite promising signs in the CRE market, many issues persist (debt maturities and distress)**
  - Unlike core properties, distressed prices remain at crisis-level lows
  - Financing for non-core properties is scarce
  - The volume of distressed assets remains large

## Market and Economic Update

# Investment Market Update: As of November 30, 2011

## PERFORMANCE THROUGH 11/30/2011

| Index              | 2008   | 2009  | 2010  | QTR 1 | Apr  | May   | Jun   | QTR 2 | July  | Aug   | Sep    | QTR 3  | Oct   | Nov   | 2011   |
|--------------------|--------|-------|-------|-------|------|-------|-------|-------|-------|-------|--------|--------|-------|-------|--------|
| BC Muni (unadj)    | -2.5%  | 12.9% | 2.4%  | 0.5%  | 1.8% | 1.7%  | 0.4%  | 3.9%  | 1.0%  | 1.7%  | 1.0%   | 3.8%   | -0.4% | 0.6%  | 8.6%   |
| Citigroup WGBI     | 10.9%  | 2.6%  | 5.2%  | 0.7%  | 3.2% | -0.1% | 0.2%  | 3.3%  | 2.3%  | 2.1%  | -2.0%  | 2.4%   | 0.5%  | -1.5% | 5.4%   |
| BC Aggregate       | 5.2%   | 5.9%  | 6.5%  | 0.4%  | 1.3% | 1.3%  | -0.3% | 2.3%  | 1.6%  | 1.5%  | 0.7%   | 3.8%   | 0.1%  | -0.1% | 6.7%   |
| BC Emerging (\$US) | -14.8% | 34.2% | 12.8% | 1.6%  | 1.4% | 1.3%  | 0.7%  | 3.4%  | 2.0%  | -0.3% | -4.5%  | -2.9%  | 4.8%  | -1.3% | 5.5%   |
| BC HY              | -26.2% | 58.2% | 15.1% | 3.9%  | 1.6% | 0.5%  | -1.0% | 1.1%  | 1.2%  | -4.0% | -3.3%  | -6.1%  | 6.0%  | -2.2% | 2.3%   |
| Diversified*       | -26.9% | 24.8% | 14.4% | 3.9%  | 2.9% | -0.6% | -1.3% | 1.0%  | -0.6% | -4.2% | -6.9%  | -11.3% | 8.0%  | -1.3% | 0.3%   |
| S&P 500            | -37.0% | 26.5% | 15.1% | 5.9%  | 3.0% | -1.1% | -1.7% | 0.1%  | -2.0% | -5.4% | -7.0%  | -13.8% | 10.9% | -0.2% | 1.1%   |
| DJ UBS Commodity   | -35.7% | 18.9% | 16.8% | 4.4%  | 3.5% | -5.1% | -5.0% | -6.7% | 3.0%  | 1.0%  | -14.7% | -11.3% | 6.6%  | -2.2% | -9.9%  |
| EAFE (net)         | -43.4% | 31.8% | 7.8%  | 3.4%  | 6.0% | -3.0% | -1.3% | 1.6%  | -1.6% | -9.0% | -9.5%  | -19.0% | 9.6%  | -4.9% | -11.3% |
| Russell 2000       | -33.8% | 27.2% | 26.9% | 7.9%  | 2.6% | -1.9% | -2.3% | -1.6% | -3.6% | -8.7% | -11.2% | -21.9% | 15.1% | -0.4% | -4.8%  |
| EM (net)           | -53.3% | 78.5% | 18.9% | 2.1%  | 3.1% | -2.6% | -1.5% | -1.1% | -0.4% | -8.9% | -14.6% | -22.5% | 13.2% | -6.7% | -17.4% |

## Supplemental Performance

|              |        |       |       |      |      |       |       |       |       |       |        |        |       |       |       |
|--------------|--------|-------|-------|------|------|-------|-------|-------|-------|-------|--------|--------|-------|-------|-------|
| R1000 Value  | -36.8% | 19.7% | 15.5% | 6.5% | 2.7% | -1.1% | -2.1% | -0.5% | -3.3% | -6.2% | -7.6%  | -16.2% | 11.4% | -0.5% | -1.6% |
| R1000 Growth | -38.4% | 37.2% | 16.7% | 6.0% | 3.4% | -1.1% | -1.4% | 0.8%  | -1.0% | -5.3% | -7.4%  | -13.2% | 11.0% | 0.0%  | 3.0%  |
| Russell 1000 | -37.6% | 28.4% | 16.1% | 6.2% | 3.0% | -1.1% | -1.8% | 0.1%  | -2.2% | -5.8% | -7.5%  | -14.8% | 11.2% | -0.3% | 0.7%  |
| R2500        | -36.8% | 34.4% | 26.7% | 8.7% | 2.9% | -1.2% | -2.2% | -0.6% | -3.8% | -8.2% | -10.8% | -21.2% | 14.7% | -0.3% | -2.7% |
| R2000 Growth | -38.5% | 34.5% | 29.1% | 9.2% | 3.6% | -2.0% | -2.1% | -0.6% | -3.9% | -8.6% | -11.5% | -22.3% | 15.9% | -0.5% | -2.7% |
| R2000 Value  | -28.9% | 20.6% | 24.5% | 6.6% | 1.6% | -1.8% | -2.5% | -2.7% | -3.3% | -8.8% | -10.9% | -21.4% | 14.4% | -0.2% | -7.0% |

\* 35% LC, 10% SC, 12% Int'l, 3% Emerging, 25% FI, 5% HY, 5% Global FI, 5% REITS

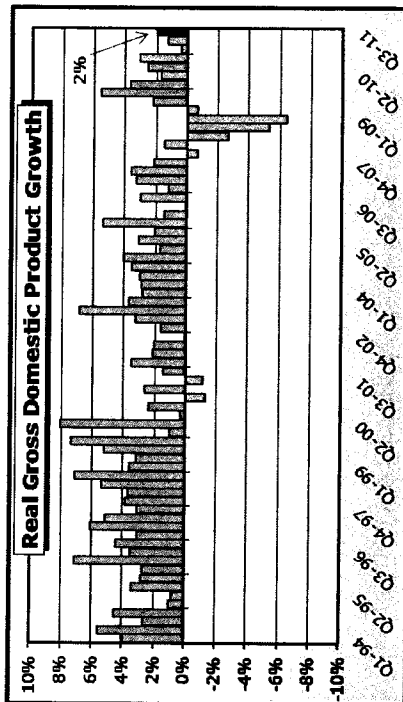
Sources: Lehman Live, Bloomberg, Wilshire



11/30/2011



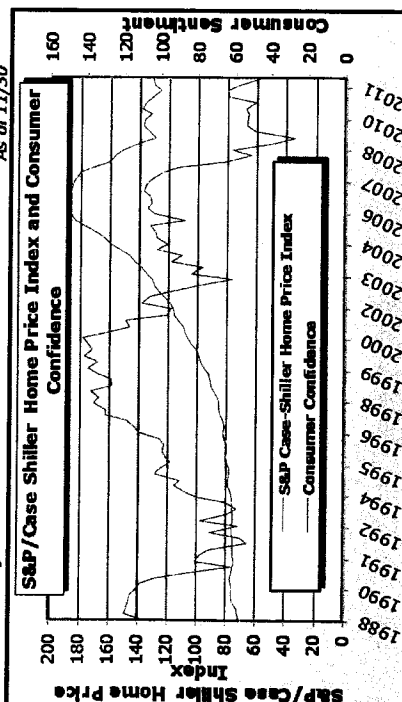
# Economic Environment



The Bureau of Economic Analysis revised the real GDP 3Q estimate down to 2% from 2.5%, citing a decline in private inventory investment as the cause.

Source: Bloomberg

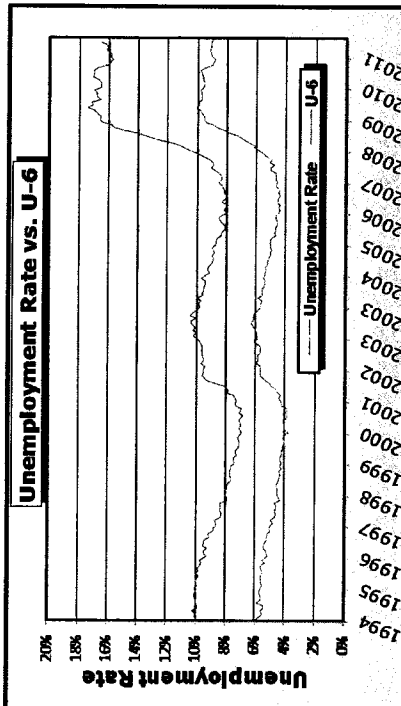
As of 11/30



Consumer confidence dropped in Q3; the Case-Shiller Home price index remains low.

Source: Bloomberg

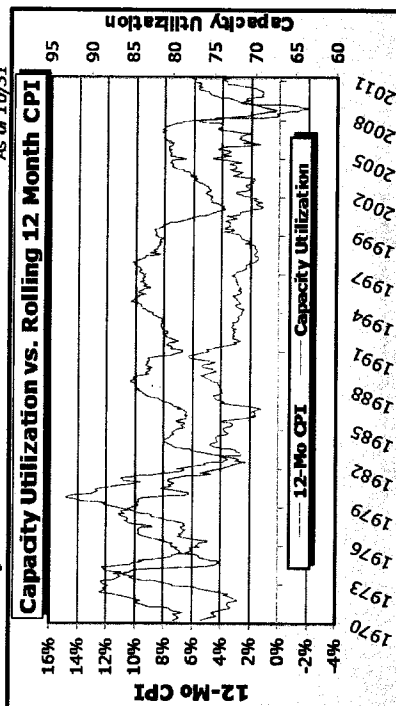
As of 9/30



Unemployment decreased slightly to 9% while U-6, a measure of broader unemployment, ended October at 16.2%.

Source: Bloomberg

As of 10/31

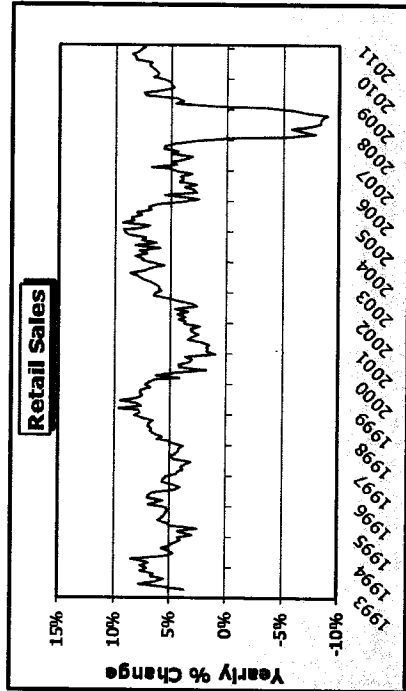


Capacity utilization rose modestly in October but still remains at depressed levels while CPI rose to 3.5%.

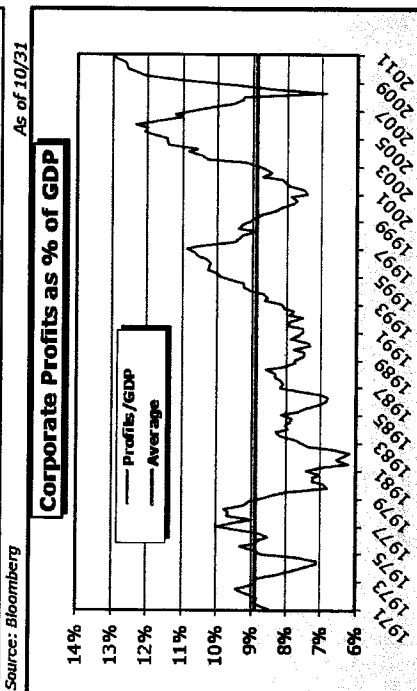
Source: Bloomberg

As of 10/31

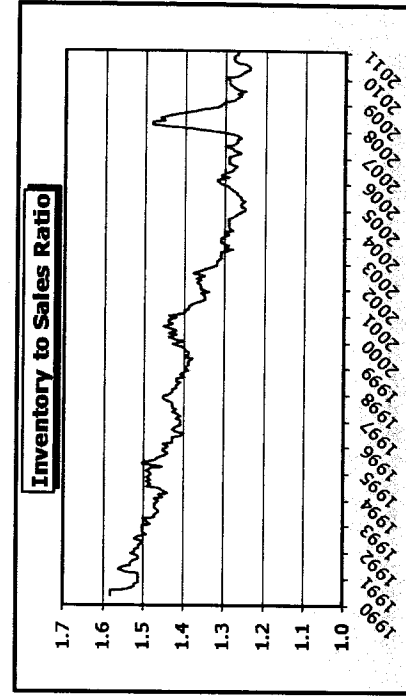
# Components of U.S. GDP



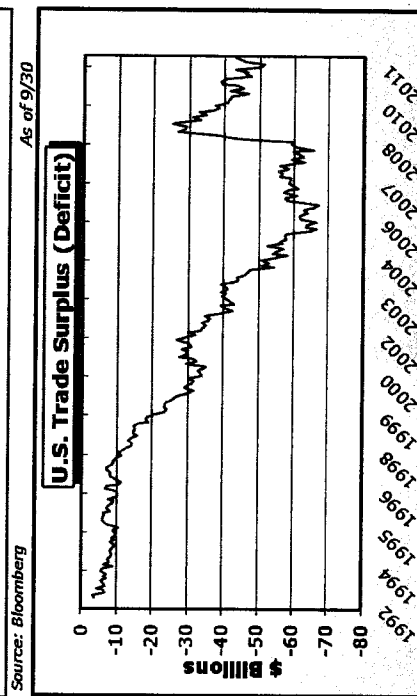
Retail sales growth in October was 7.3% YOY, a slight decrease from September.



Corporate Profits as a % of GDP increased to 13% in Q3.

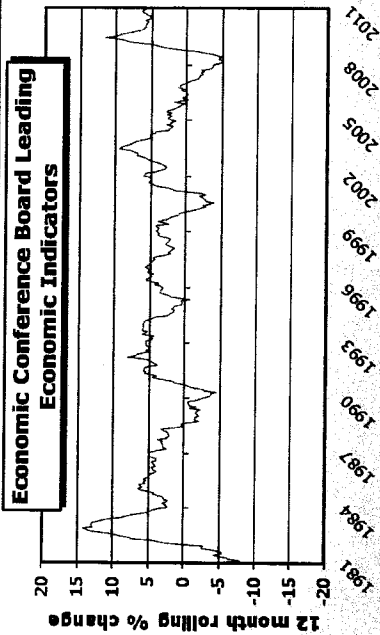


The inventory liquidation process that was a boost to 2009 growth results has worn off, meaning demand must contribute to further growth.

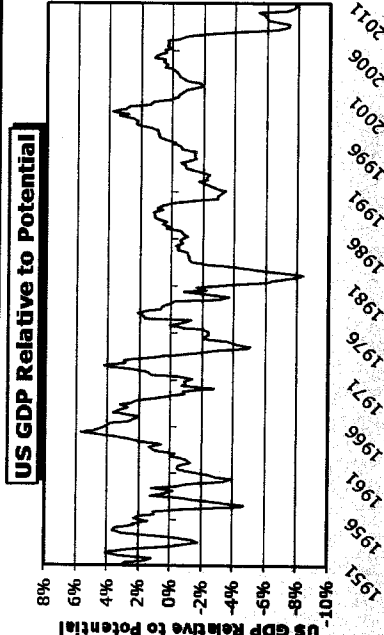


The U.S. trade deficit has slowly decreased each month in the second half of 2011.

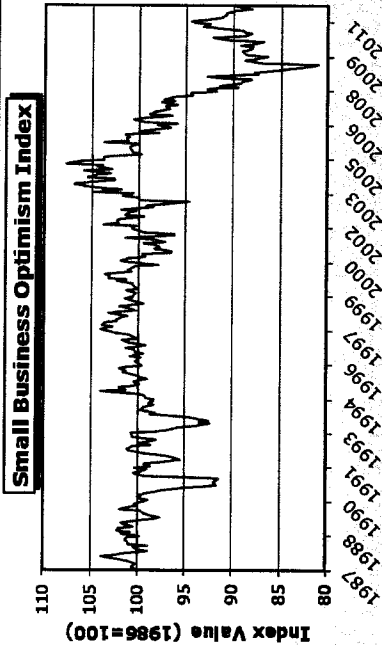
# Key Economic Indicators



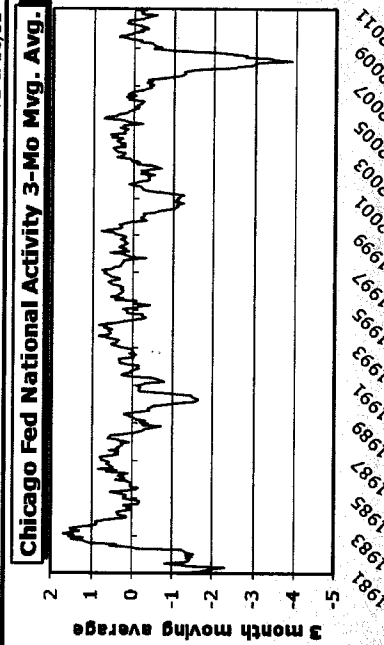
Rolling percentage change in the Leading Economic Indicators index increased in October.



US GDP relative to Potential GDP has remained low in recent months.



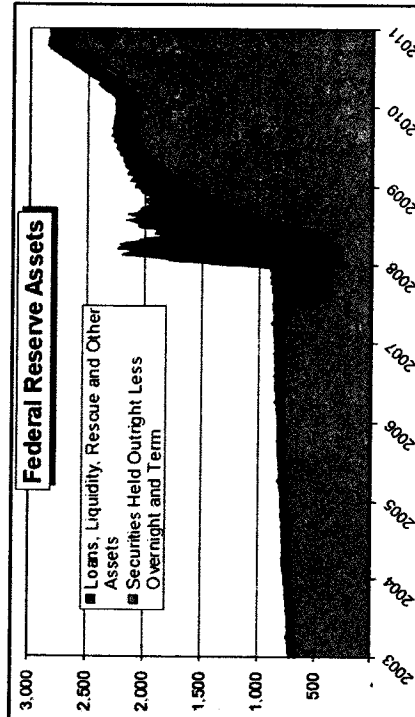
The small business optimism index rose slightly in October while remaining at depressed levels.



Chicago Fed National Activity 3 Month moving average decreased in October.

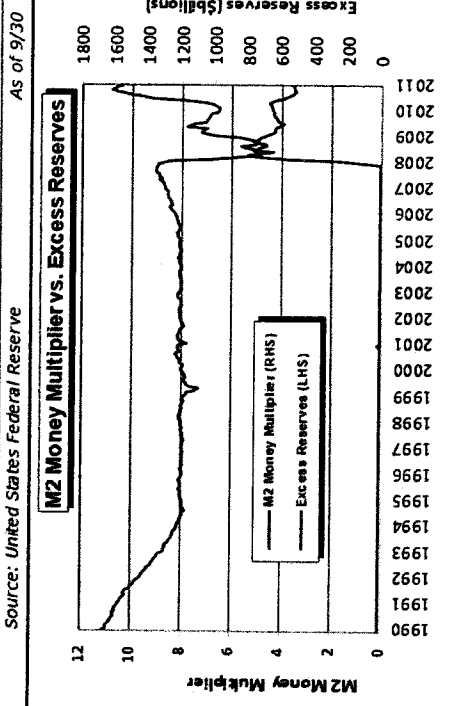


# Economic Environment



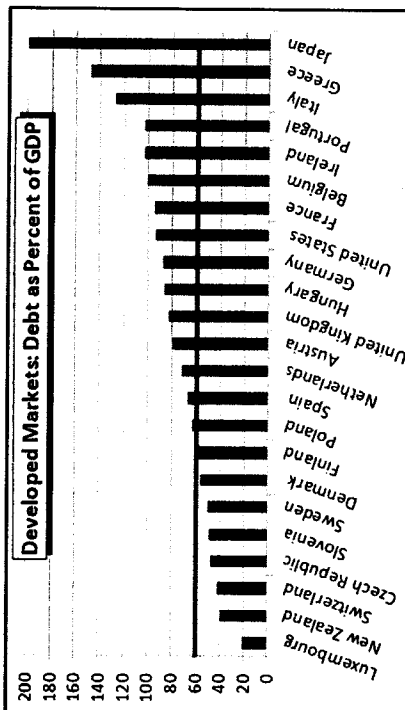
The Fed Balance Sheet has leveled off (for now) as QE2 came to a close on June 30, 2011.

Source: United States Federal Reserve

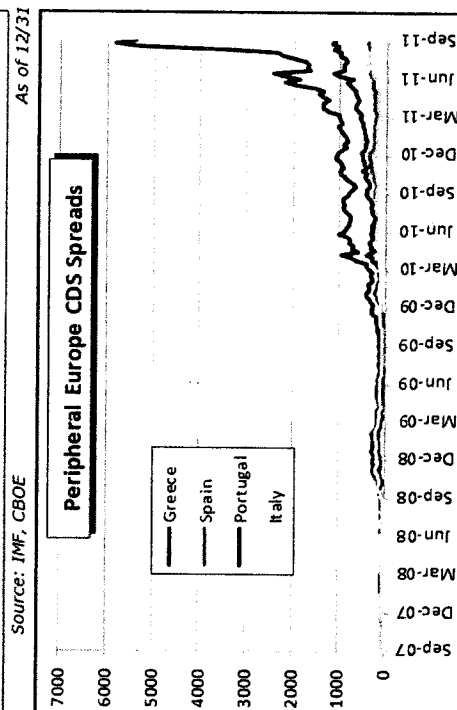


The Money Multiplier remains low as a result of QE2, and banks have increased reserves in recent months.

Source: St. Louis Fed



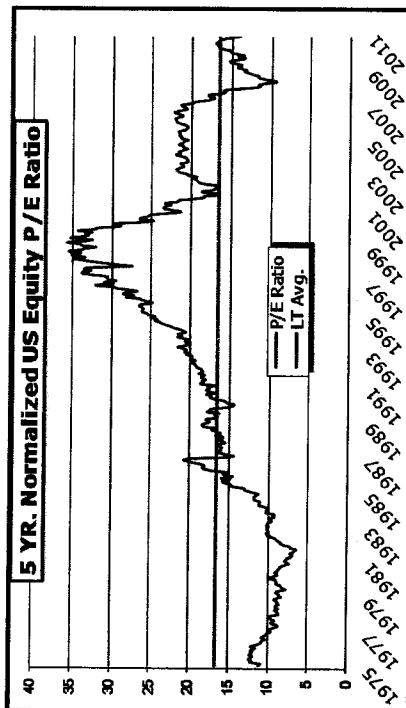
Many developed nations are at or approaching unsustainable debt levels.



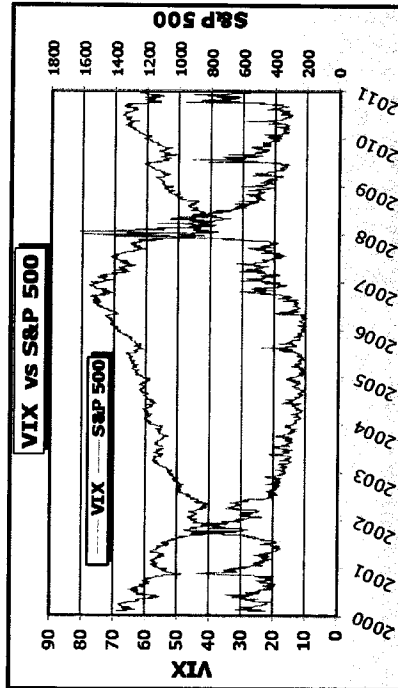
Peripheral Europe Credit Default Swap spreads have widened dramatically over the last 18 months, indicating increased investor concern about default possibility.

Source: Bloomberg

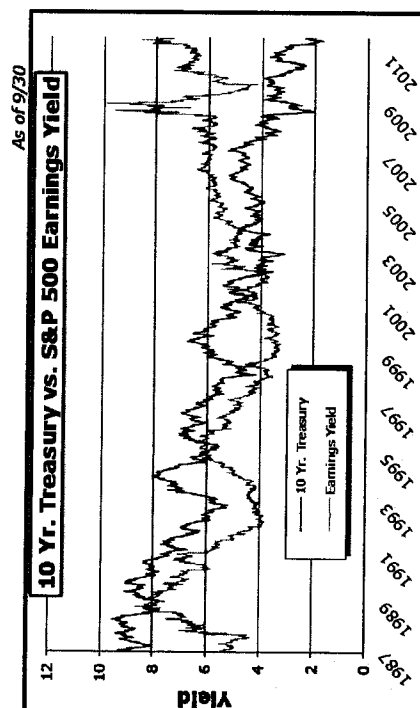
# Market Environment – U.S. Equity



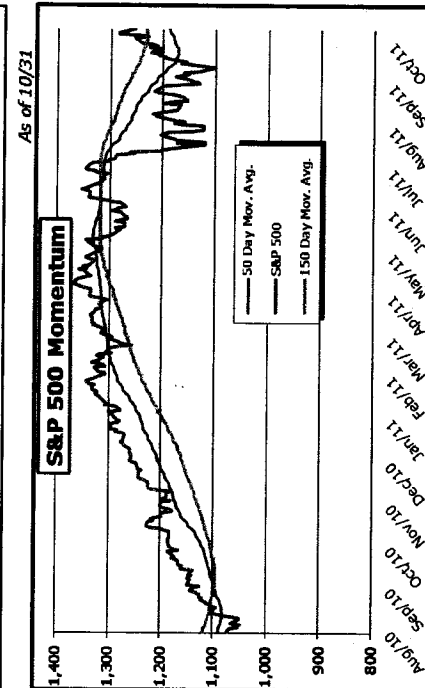
S&P valuations have dropped due to the recent sell-off.



The VIX remains elevated, while stocks rallied for most of October.

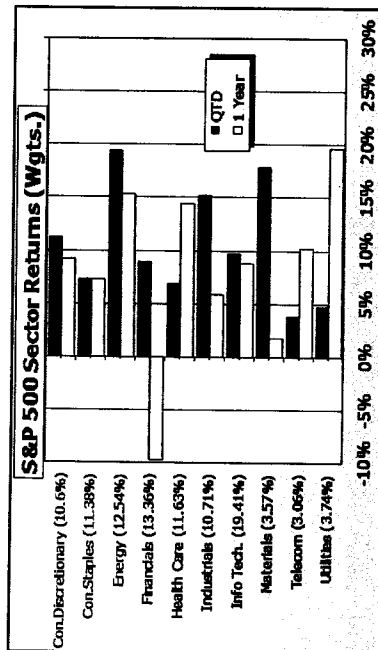


Yield on the 10-year Treasury flattened in October, while S&P 500 yields remain elevated.



S&P 500 fifty day moving average began to trend upwards during the month of October.

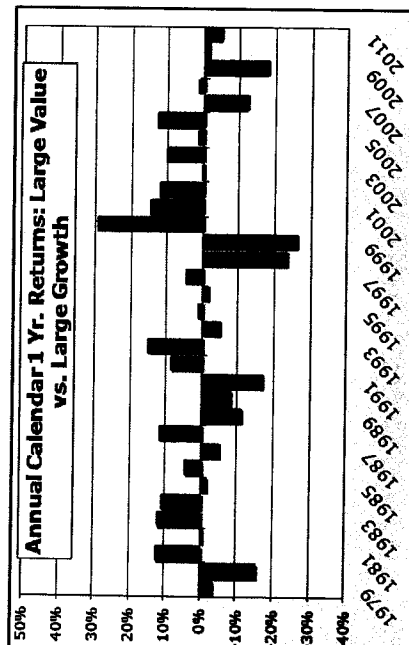
# U.S. Stock Market Performance



**All Sectors showed positive returns so far QTD; Financials is the only sector with negative returns over the last 1 year period.**

Source: Standard & Poors, Bloomberg

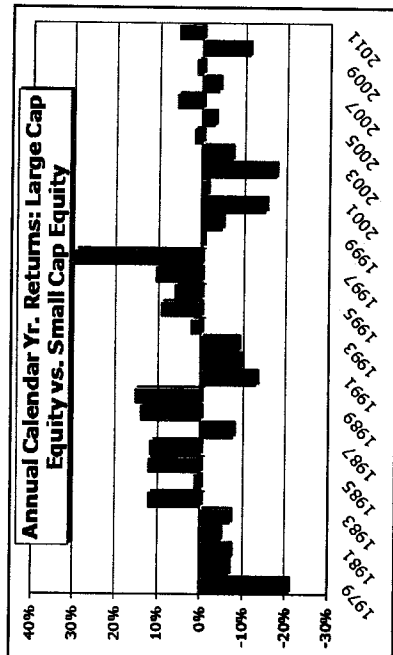
As of 11/30



**Growth stocks have outperformed value stocks by 4.6% so far in 2011.**

Source: Bloomberg

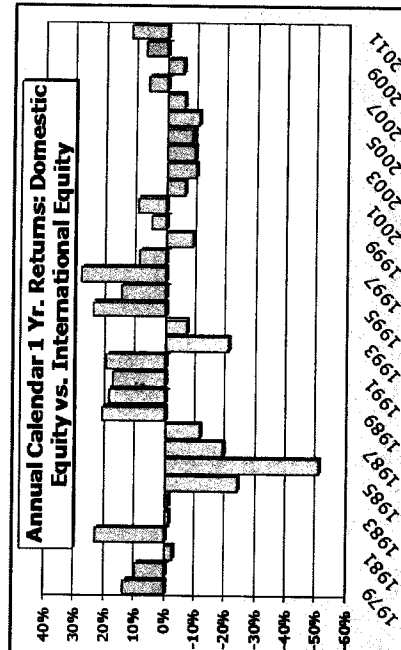
As of 11/30



**Large Cap has outperformed Small Cap by 5.5% so far in 2011.**

Source: Bloomberg

As of 11/30



**Domestic equity has outperformed International equity by 12% so far in 2011.**

Source: Bloomberg

As of 11/30

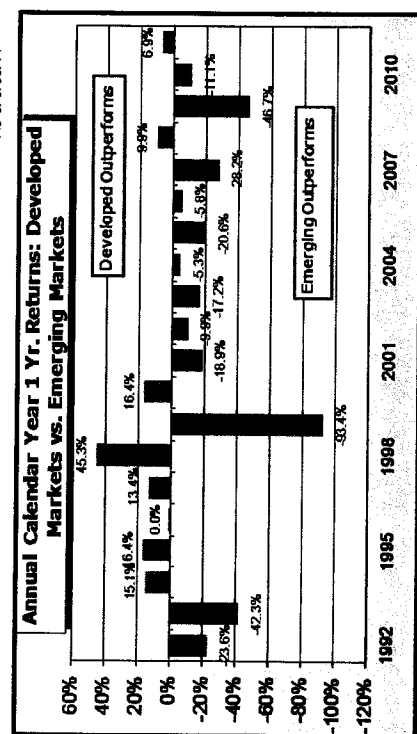
# Non – U.S. Stock Market Performance

| Developed Market Equity Returns (U.S. Dollars) |          |           |           |
|--|----------|-----------|-----------|
| Source: MSCI Inc.                              |          |           |           |
|  | Qtr. (%) | 1 Yr. (%) | 3 Yr. (%) |
| Europe ex UK                                   | -26.0%   | -15.0%    | -4.5%     |
| United Kingdom                                 | -15.4%   | -5.3%     | 0.8%      |
| Japan  | -6.4%    | -0.1%     | -0.2%     |
| Pacific Ex Japan                               | -19.7%   | -10.9%    | 7.6%      |
| Canada   | -19.0%   | -6.8%     | 1.5%      |
| USA  | -14.2%   | 0.7%      | 0.7%      |

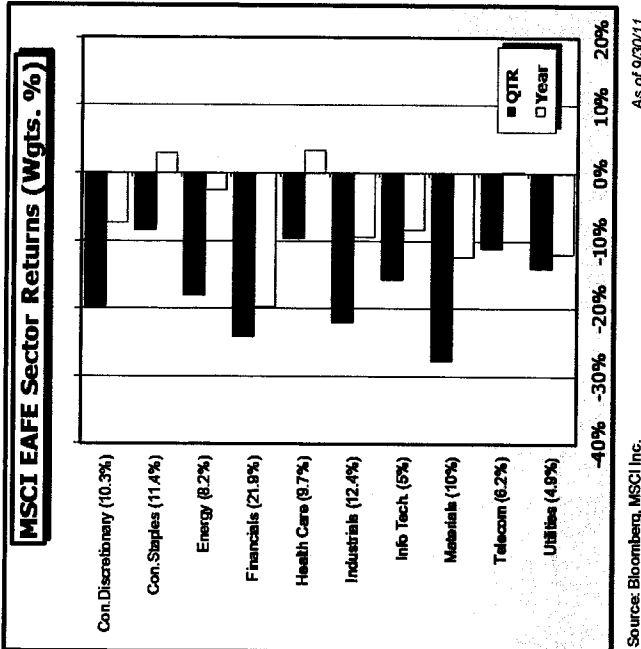
| US Dollar Return vs. Major Foreign Currencies                  |       |       |        |
|--|-------|-------|--------|
| (Negative = Dollar Depreciates, Positive = Dollar Appreciates) |       |       |        |
|  | Qtr.  | 1 Yr. | 5 Yr.  |
| Euro   | 8.0%  | 1.2%  | -5.6%  |
| Japanese Yen   | -4.5% | -7.8% | -34.8% |
| British Pound  | 2.8%  | 0.7%  | 19.8%  |
| Canada   | 7.8%  | 0.9%  | -7.0%  |
| Australia  | 10.1% | -1.1% | -23.5% |

| Currency Impact on Developed Mkt. Returns                |        |        |       |
|--|--------|--------|-------|
| (Negative = Currency / Mt. Positive = Currency / Hedged) |        |        |       |
|  | Qtr.   | 1 Yr.  | 5 Yr. |
| MSCI EAFE (Local)  | -15.7% | -10.9% | -6.1% |
| MSCI EAFE (USD)  | -19.0% | -9.4%  | -3.5% |
| Currency Impact  | -3.3%  | 1.5%   | 2.6%  |

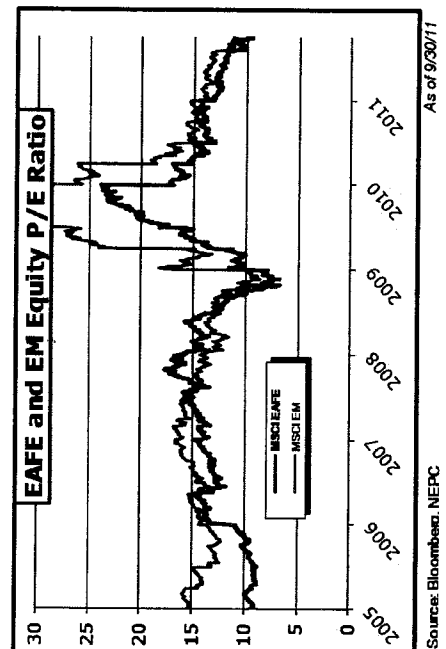
Source: Bloomberg, MSCI Inc. As of 9/30/11



Source: MSCI Inc. As of 9/30/11



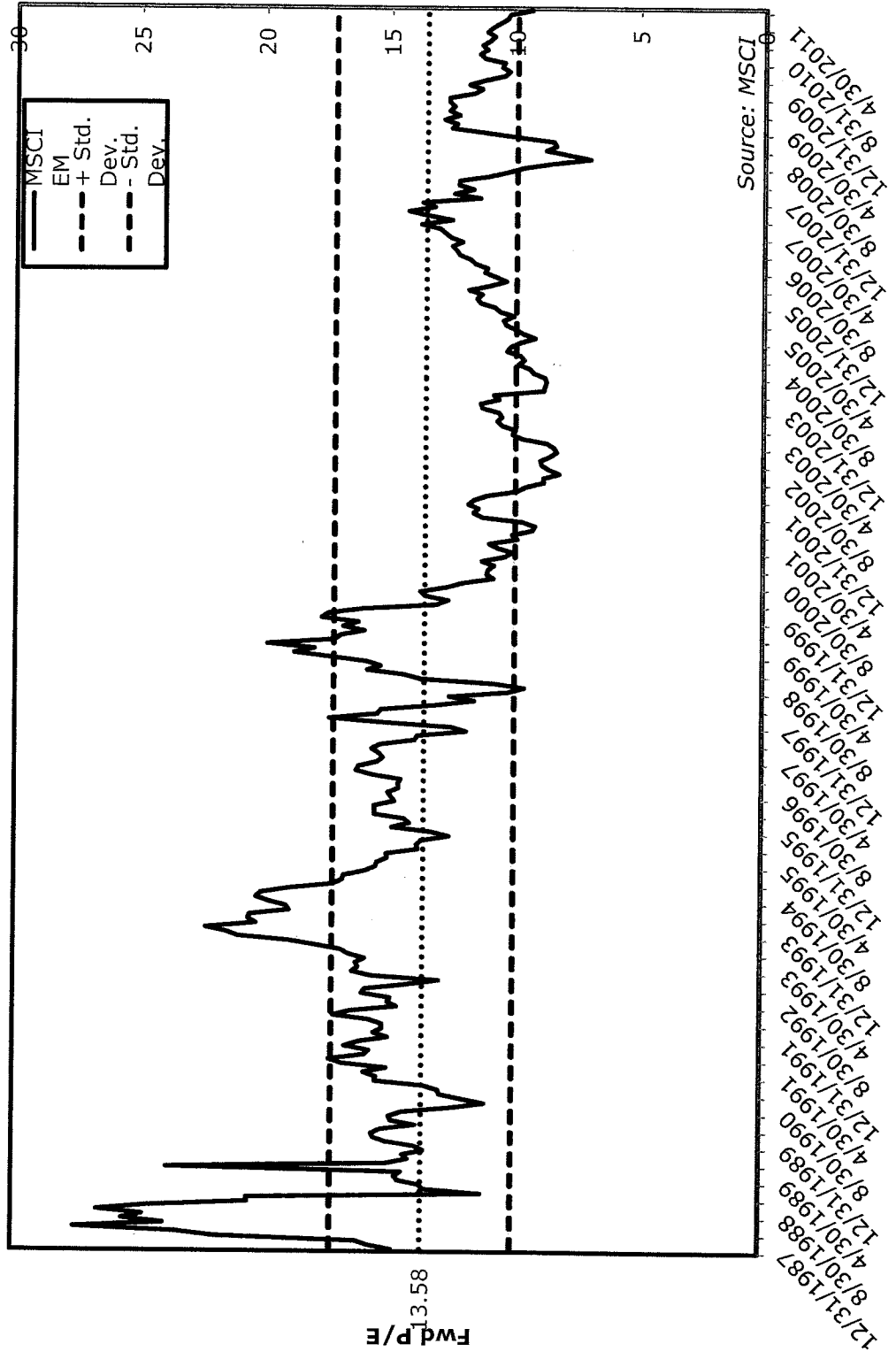
Source: Bloomberg, MSCI Inc. As of 9/30/11



Source: Bloomberg, NEPC As of 9/30/11

## Forward P/E

### Emerging Markets Forward P/E

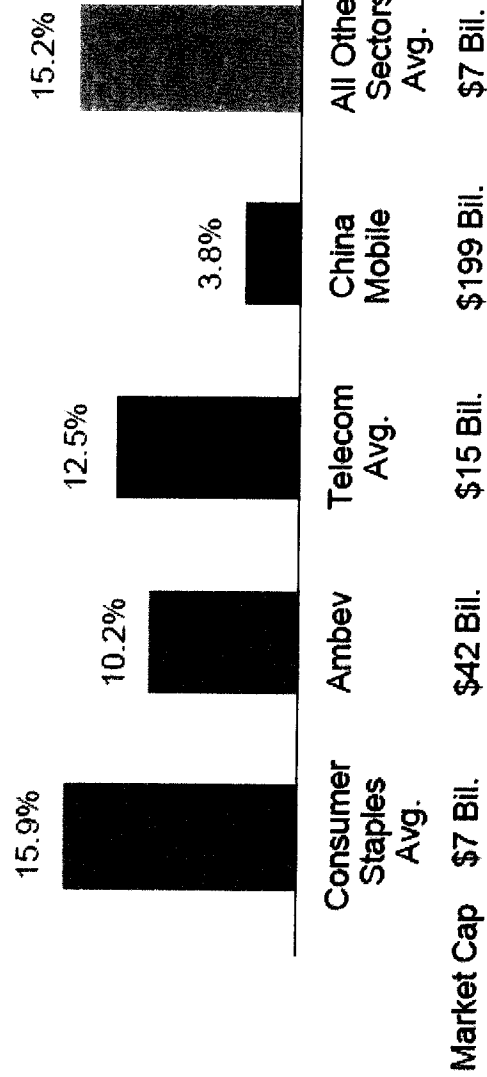




## EM Consumer

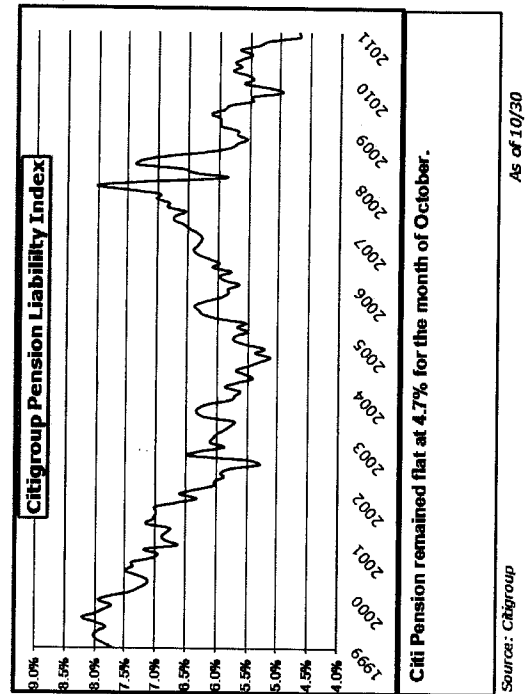
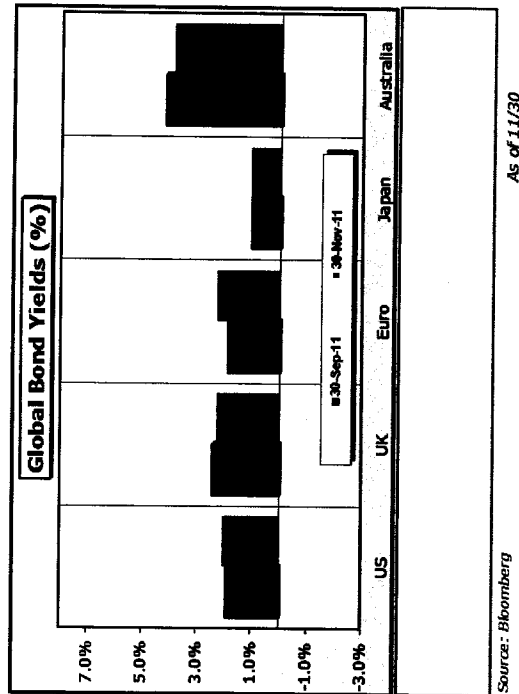
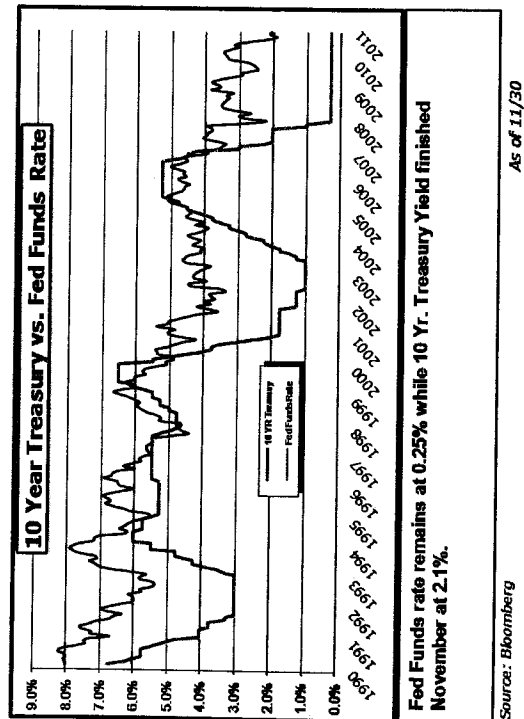
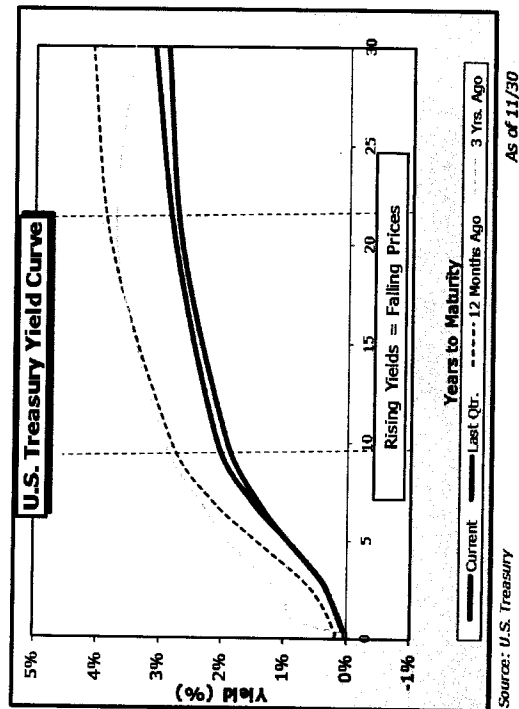
### Earnings Growth and Market Cap

EPS Growth (2012 vs. 2010)

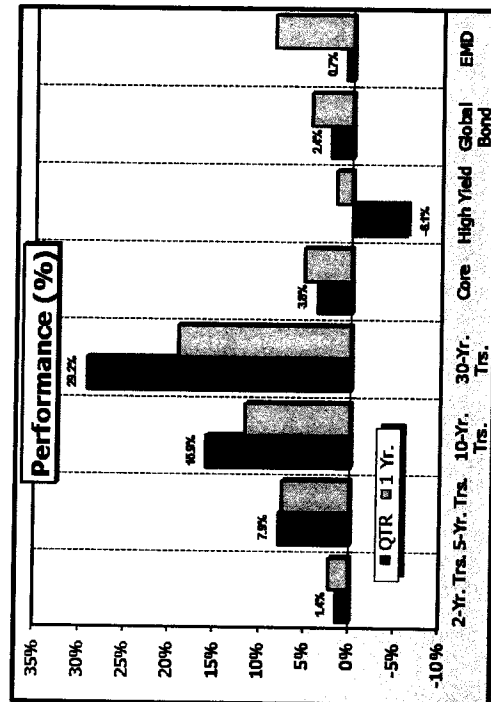


Source: Alliance

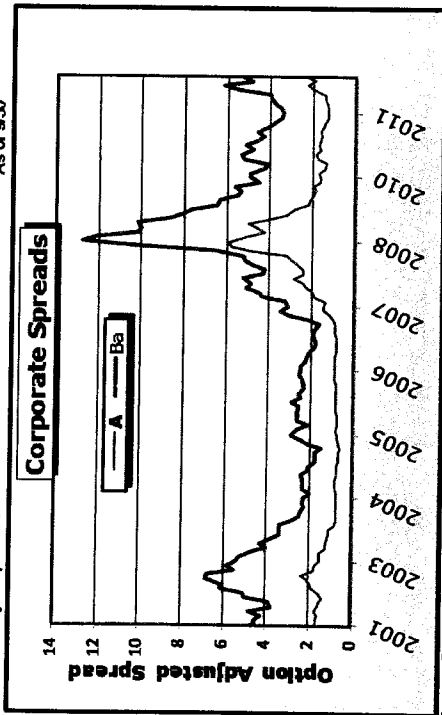
## Market Environment – Interest Rates



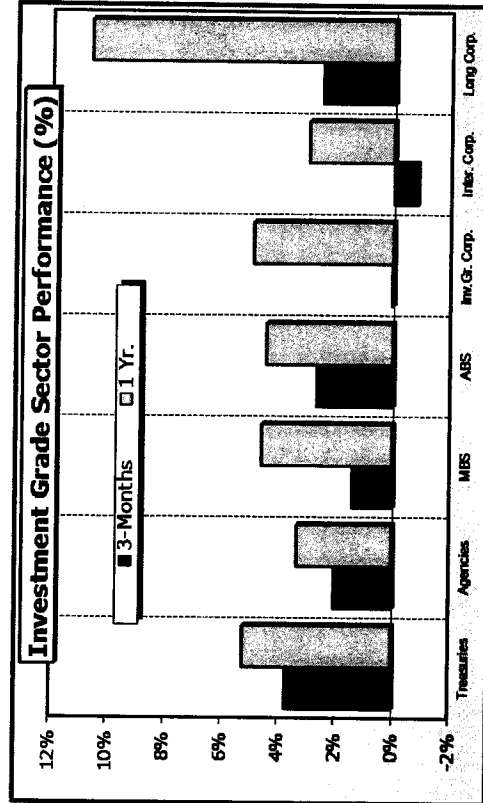
# Fixed Income Performance



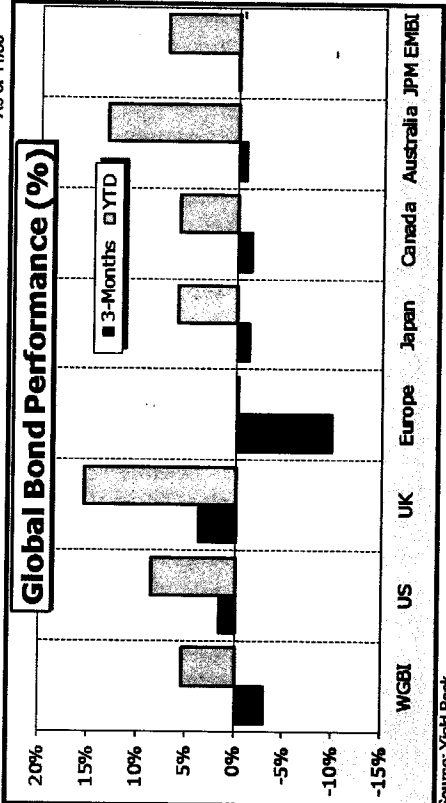
As of 9/30



As of 11/30

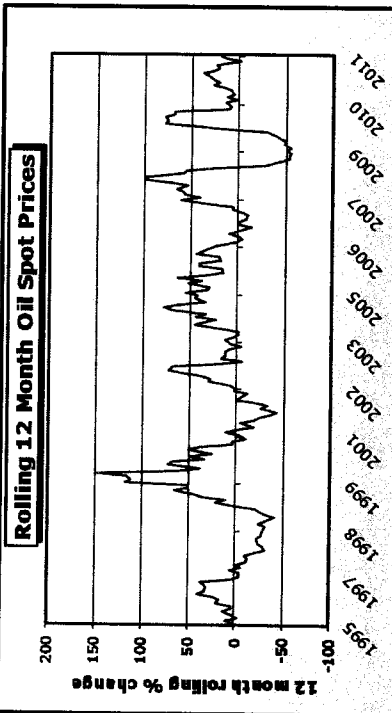


As of 11/30



As of 11/30

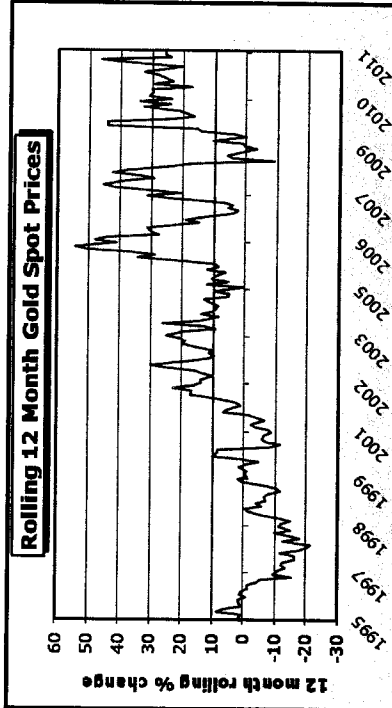
# Market Environment – Commodities



Oil prices climbed to \$100.36 per barrel at the end of November.

Source: Bloomberg

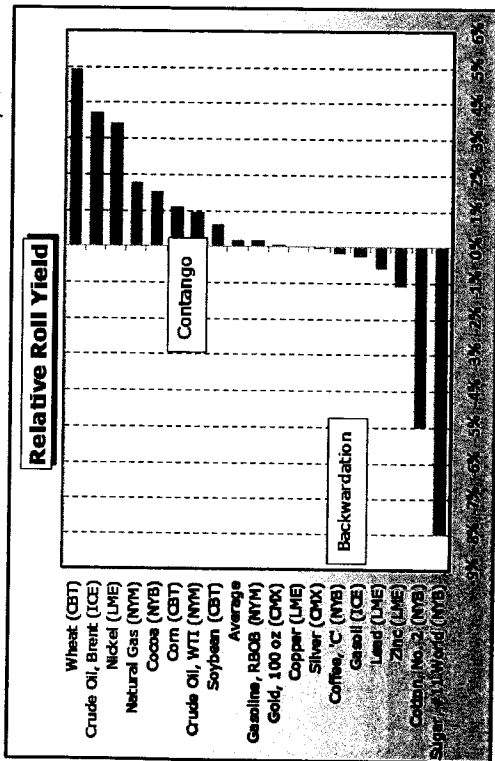
As of 11/30



Gold prices finished at \$1,746 per ounce at the end of November.

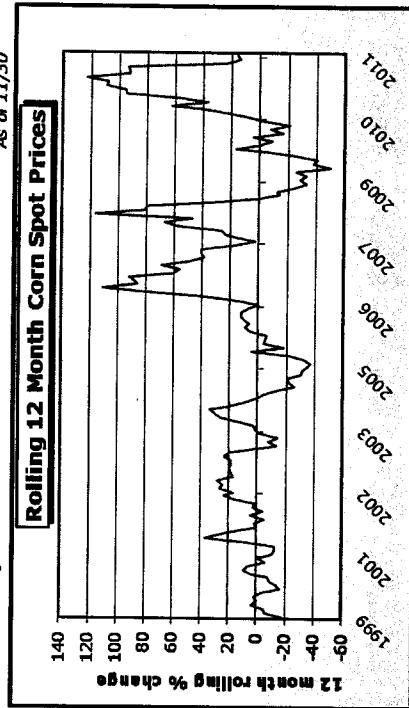
Source: Bloomberg

As of 11/30



Source: Bloomberg

As of 6/30



Corn prices finished at \$5.92/bushel at the end of November.

Source: Bloomberg

As of 11/30

## The European Debt Crisis

## Background – European Union

- **Ideas of European economic unity stretch back many years (post World War I) with most efforts occurring post World War II**
  - Reducing nationalism and eliminating future wars
  - Increase global presence/economic power
- **Attempts were made in 1960s but collapse of Bretton Woods currency system slowed process**
- **European Exchange Rate Mechanism (ERM) established in 1979 to move currencies towards unity through “semi-pegged” system**
  - UK Pound added in 1990 but forced to exit in 1992 after major pressure from speculators (George Soros)
- **European Monetary Institute was launched in 1994 and replaced by European Central Bank (ECB) in 1998**
  - Primary objective of the ECB is to maintain price stability
- **Euro was launched virtually in 1999 (11 currencies pegged to new Euro) and officially as a currency in 2002**

## Background - Euro

- **Euro launched with strict criteria of fiscal discipline for member countries to maintain stability of EMU**
  - Annual budget deficit no higher than 3% of GDP
  - National debt lower than 60% of GDP
- **European Central Bank implements monetary policy of Eurozone through foreign exchange operations**
  - Short-term repo notes with European banks are used to control the money supply
  - European banks post appropriate collateral, including sovereign debt of member states
    - Hence, the requirements of fiscal discipline to maintain consistency in quality of collateral
- **One currency...one monetary policy**
  - 17 fiscal policies!
  - Many nations and differing economic conditions

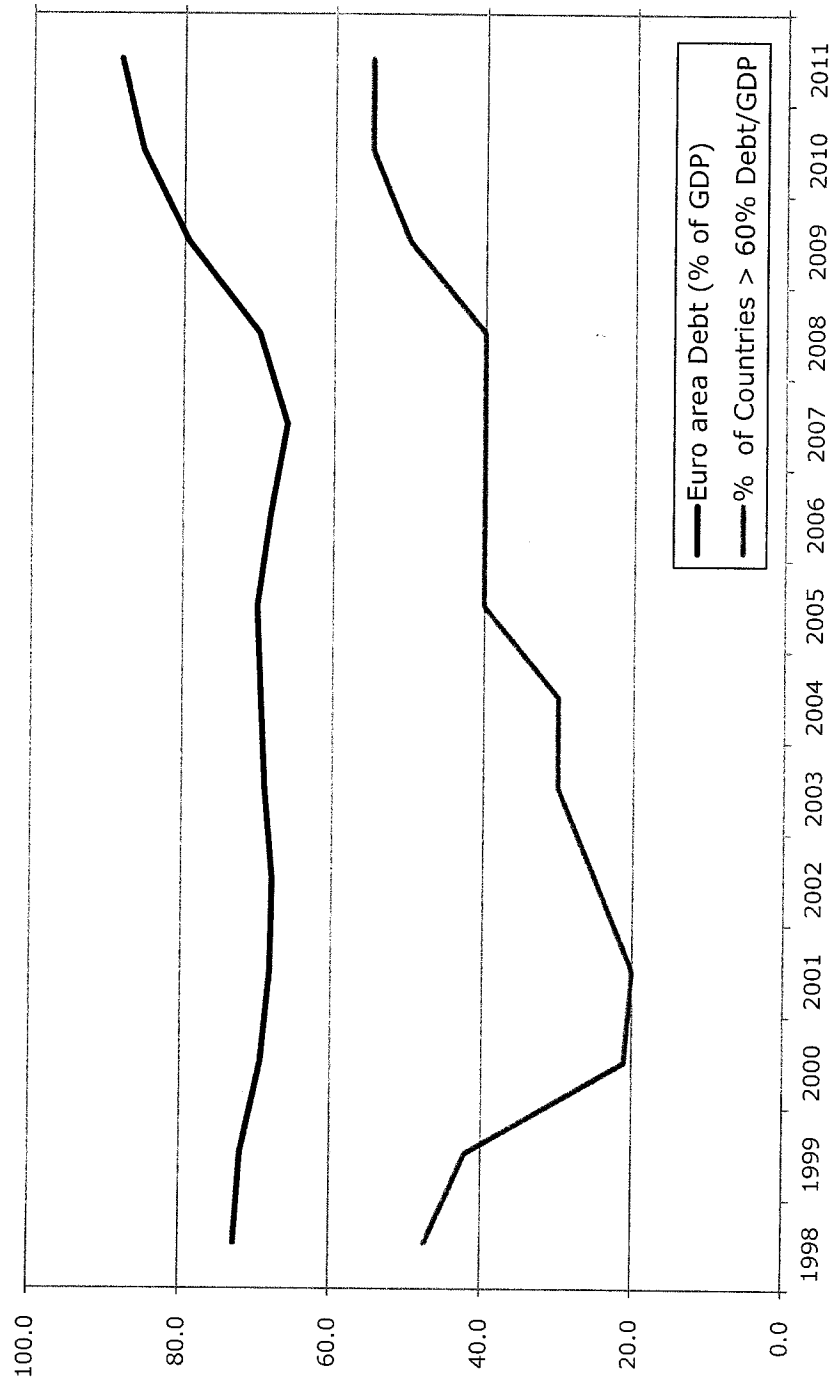
## Issues Leading to European Debt Crisis

- **Lack of enforcement of individual country fiscal controls (spending, debt, etc.) by EU**
  - European authorities did not institute necessary restrictions early on so problems built up while times were good
- **Countries overburdened with debt and forced into deleveraging have several options**
  - Default
    - Which limits access to future borrowing/raises borrowing costs
  - Devalue
    - Lowering the value of the country's currency and improving trade competitiveness
    - Performed through monetary policy – increasing money supply
  - Restructure debt – through IMF or global central banks
- **Best policies to manage debt servicing differ by country but only one centralized policy**
  - Austerity followed by growth as a way to reduce debt and to earn your way out
  - Inflation can effectively "inflate away" high debt
- **Countries in the Eurozone do not have their own monetary policy to control internal conditions or their own currency to devalue**
  - Especially peripheral countries with less impact on overall regional economic conditions



## Euro Area – Debt As Percent of GDP

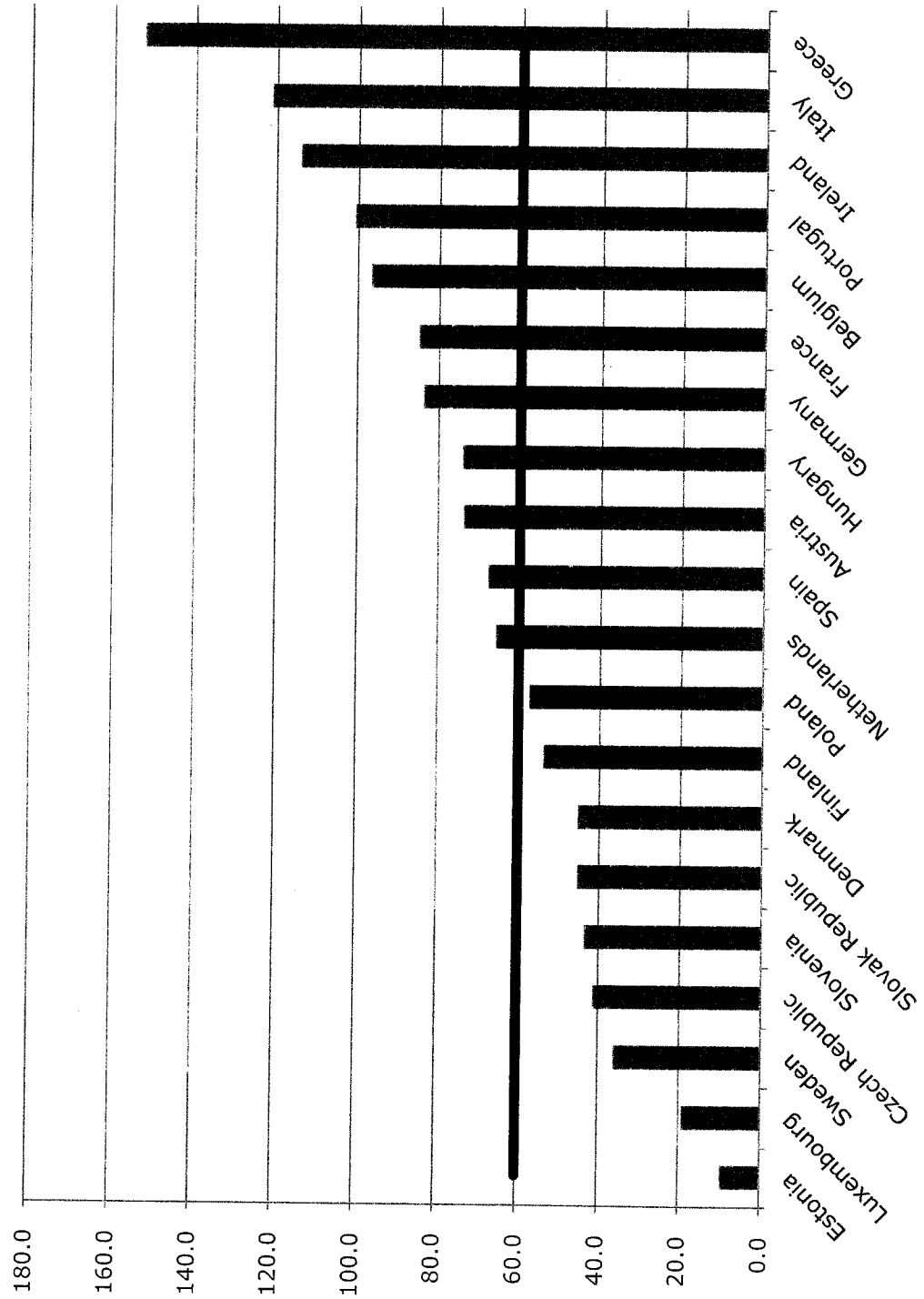
Euro area – Maastricht Defined Debt as % of GDP



Source: OECD

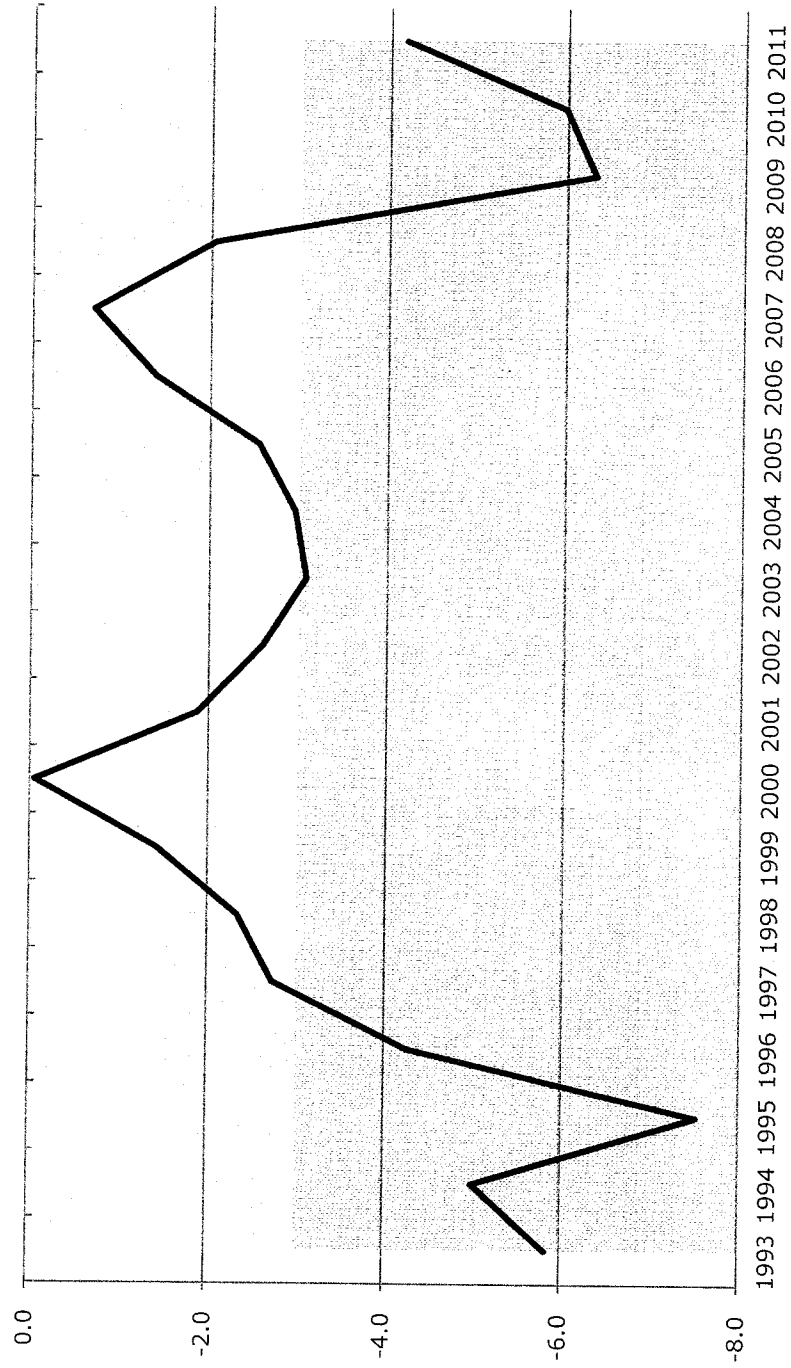


## Eurozone Countries – 2011 Debt as Percent of GDP



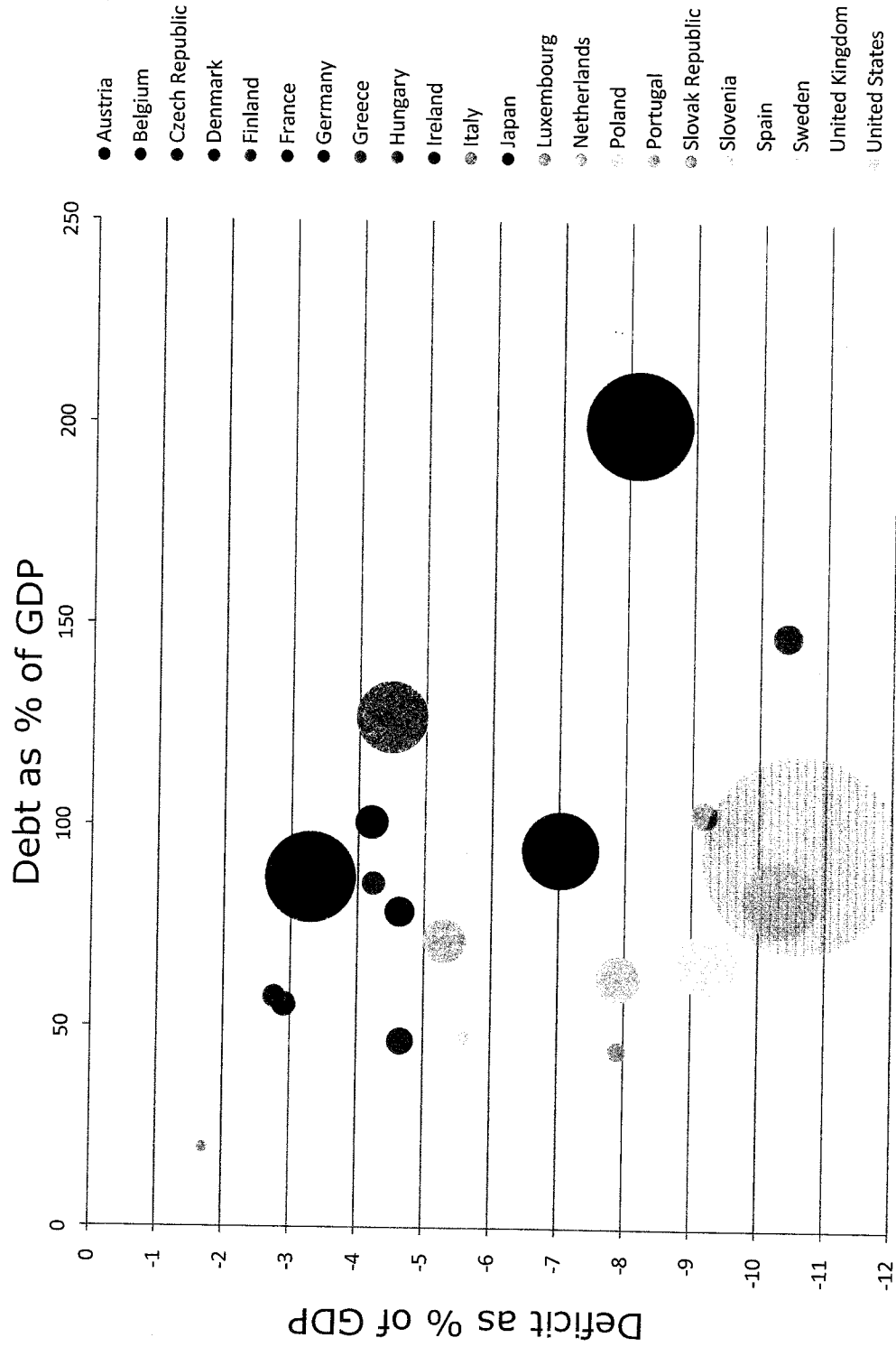
## Euro Area – Deficit Spending as Percent of GDP

Euro area - Surplus/(Deficit) as % of GDP

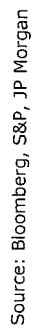


Source: OECD

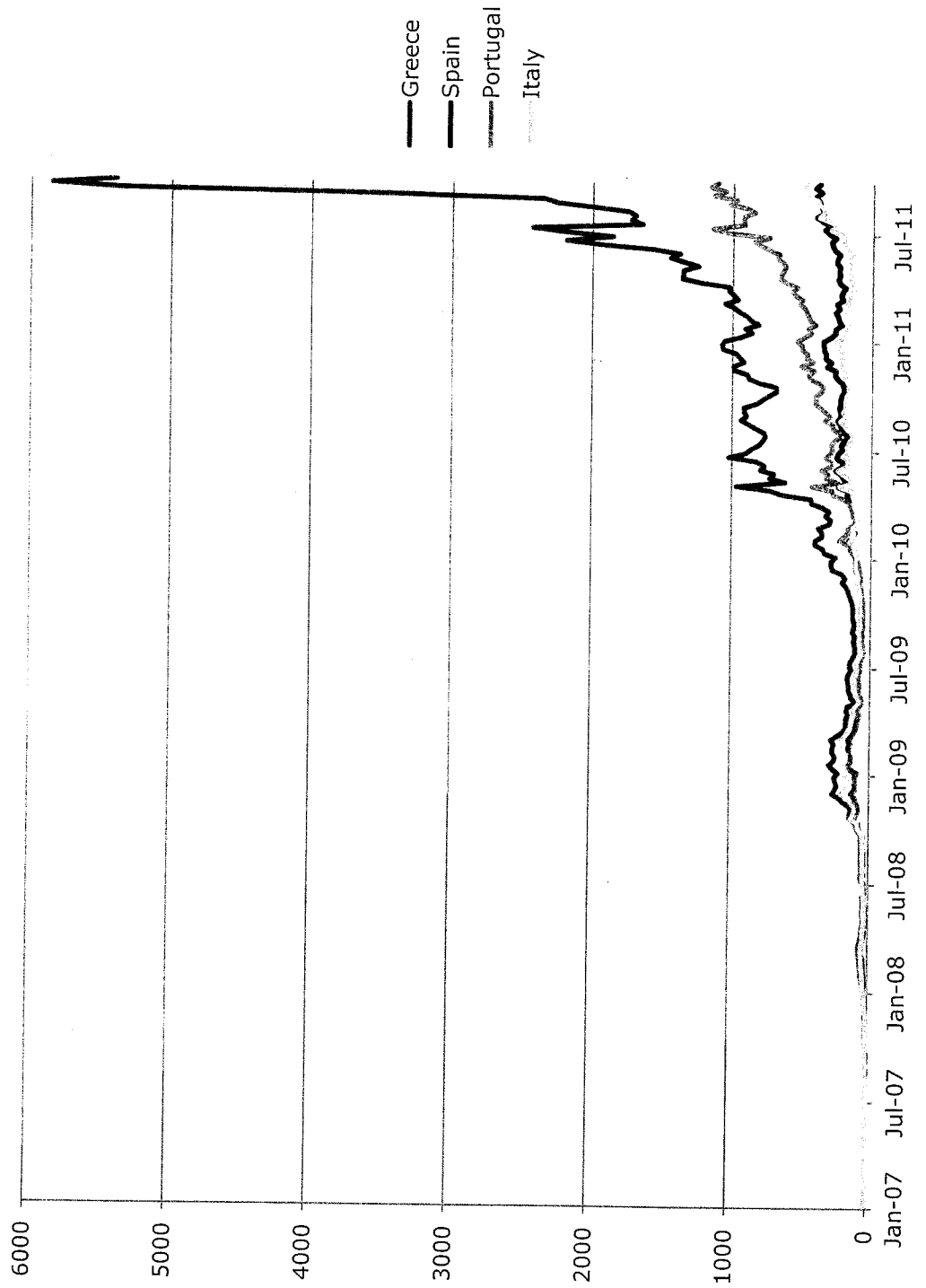
## Developed Markets- 2010 Financial Position



Bubbles illustrate relative sizes of GDP  
Source: OECD, IMF

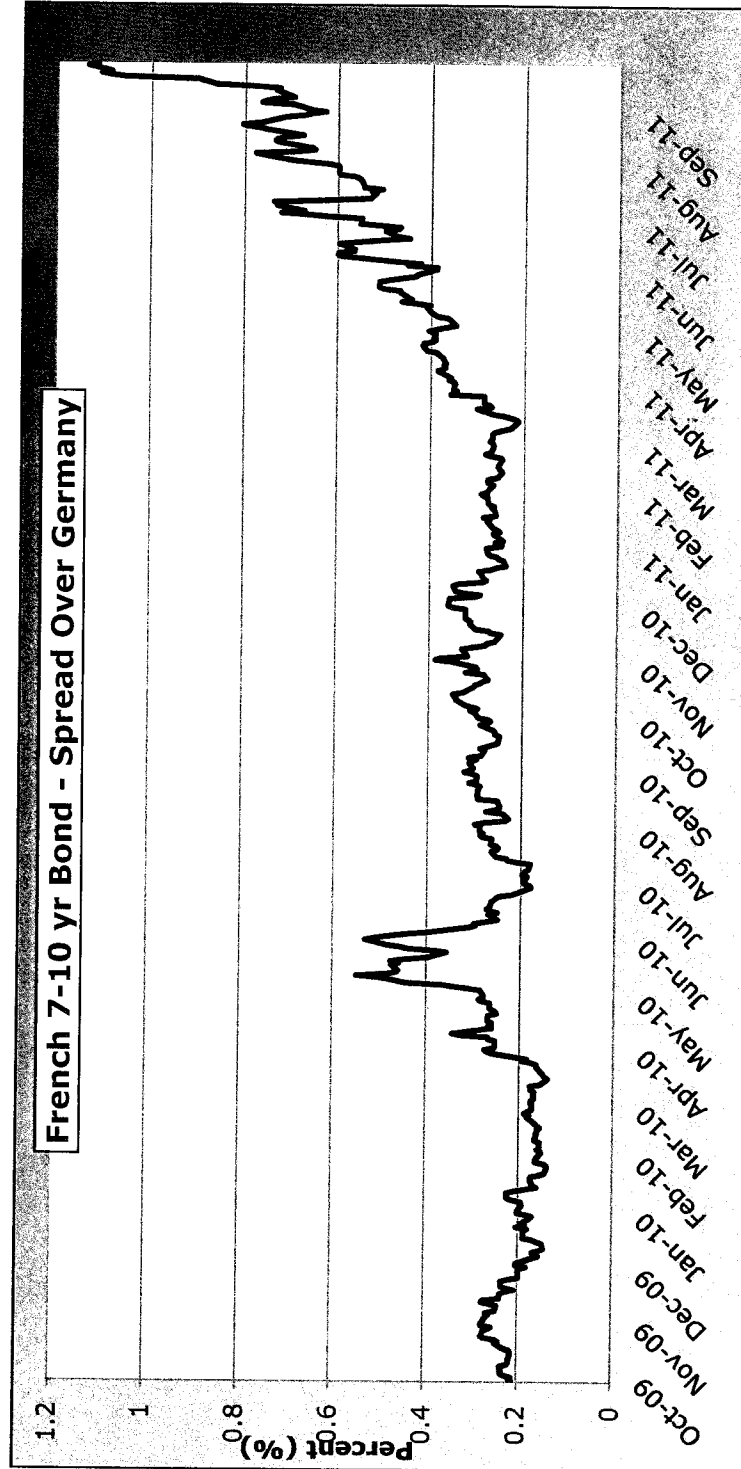


## Peripheral Europe - Credit Default Swaps Pricing



Source: Bloomberg - as of 9/30

## Germany vs. France



- Even the dependability of core countries like France has become a question
- Germany will likely be the final backstop to provide confidence to markets

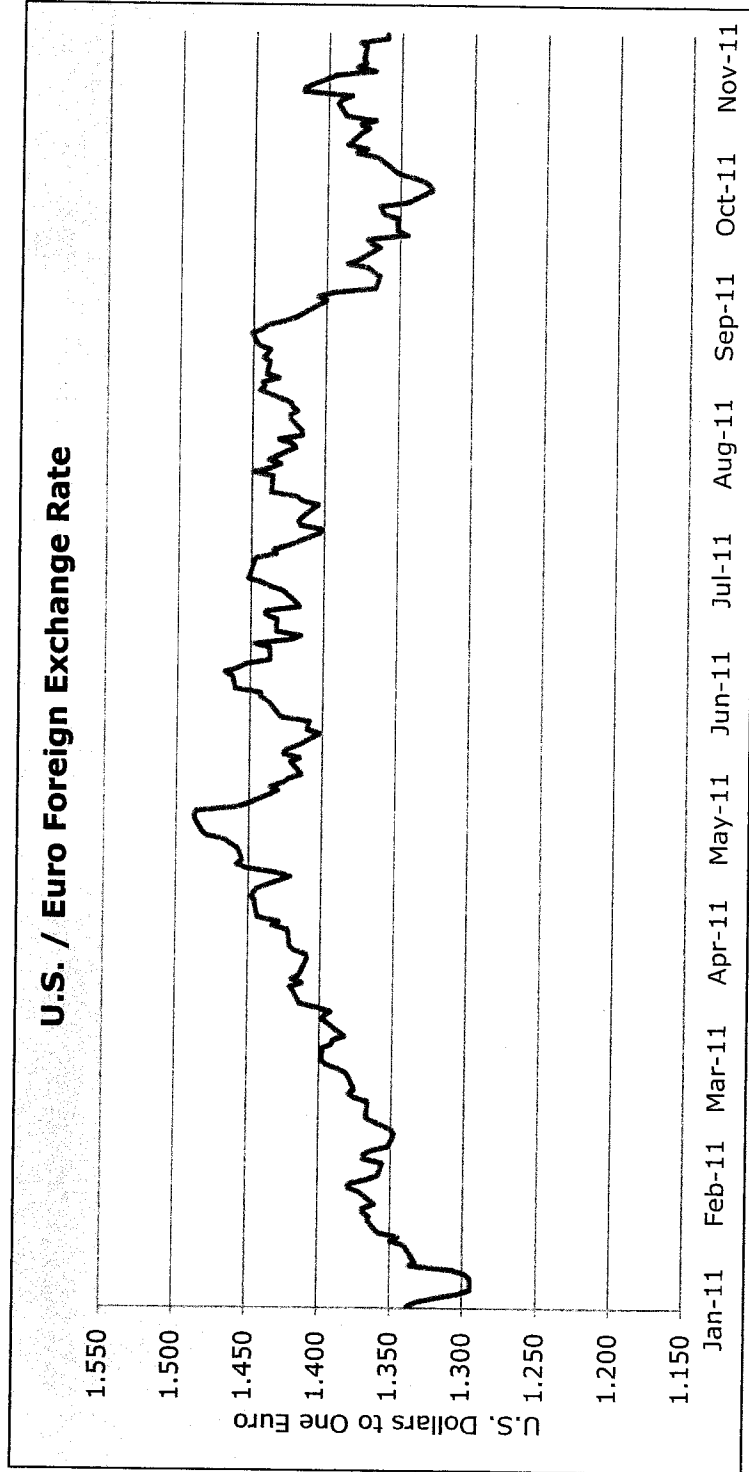
Source: Barclays Live

## Structures Created to Manage European Crisis

- **ECB purchases of sovereign debt**
- **European Financial Stability Facility (EFSF)**
  - Initially established as €440 billion special purpose vehicle guaranteed by Eurozone countries
  - Guarantees up to €780 billion approved by Eurozone countries in mid-October
  - Facility will issue bonds at AAA rating and then lend to struggling European countries
  - Funds may be used to recapitalize banks, buy back sovereign debt, or to raise funds for loan issuance to Eurozone members
  - All 17 member parliaments must vote to approve any changes to the EFSF
    - Changes require unanimous support, thus, process is slow
- **ELA (Emergency Liquidity Assistance) Facilities**
  - National central banks may open temporarily to provide liquidity to domestic banks
  - Risk is borne by national central bank, not ECB
  - ECB may shut down
- **European Stability Mechanism (ESM)**
  - Permanent rescue fund expected to replace EFSF
  - Scheduled for 2013 but could be sped up to add more support



## Euro vs. US Dollar



- **Euro rallied early in year and held up against USD through summer**
  - Winning "ugly contest"
  - Debt issues causing demand for Euros as Euro liabilities are settled
- **Euro fell with other risky assets in September as investors demanded USD in flight to safety**

Source: St. Louis Federal Reserve



## Recent Events

- **On November 1<sup>st</sup>, Greek Prime Minister George Papandreou positioned Greek's ability to take on further austerity as requiring a national referendum**
- **After a week of negotiating, Greece announced a unity government, which includes Papandreou stepping down**
  - The referendum was cancelled
  - Banker Lucas Papademos was named the new Prime Minister
- **On November 13<sup>th</sup>, Italian Prime Minister Silvio Berlusconi resigned after Italian bond yields rose significantly in the weeks preceding the announcement**
  - Banker Mario Monti will take over as the new Prime Minister
- **The markets will continue to monitor closely how changes in leadership, from politicians to economists/bankers, impacts the ability of these governments to initiate change and lead these countries out from under significant debt burdens**

## Is This a Sovereign Debt Crisis or a Banking Crisis?

- **Fear of default is currently focused on sovereign debt**
  - PIIGS...with most acute focus on Greece
- **But since European country debt has been defined as quality collateral, banks hold this debt as capital to back many other activities**
- **Default/restructuring could trigger mark-to-market or other event that leads to forced selling and delevering**
- **While European banks participate in sovereign debt and Euro currency markets, their activities stretch far beyond these core markets**
  - Banks could be transmission mechanism for delevering

## Eurozone Banks

- **European Banking system has come under increased pressure in the 3<sup>rd</sup> quarter.**
  - Eurozone bank credit spreads have risen dramatically.
  - European bank shares are down over 25%.
- **Crisis initiated due to persistent concerns regarding the sovereign debt exposure of Eurozone banks, specifically France.**
  - As a % of Tier 1 Capital, Greece sovereign debt exposure is modest
  - Uncertainty surrounding a solution to the Greek debt crisis has increased concern regarding Italy, which is much larger as a % of Tier 1.

**Peripheral Europe Sovereign Debt as % of Bank Core Tier 1 Capital**

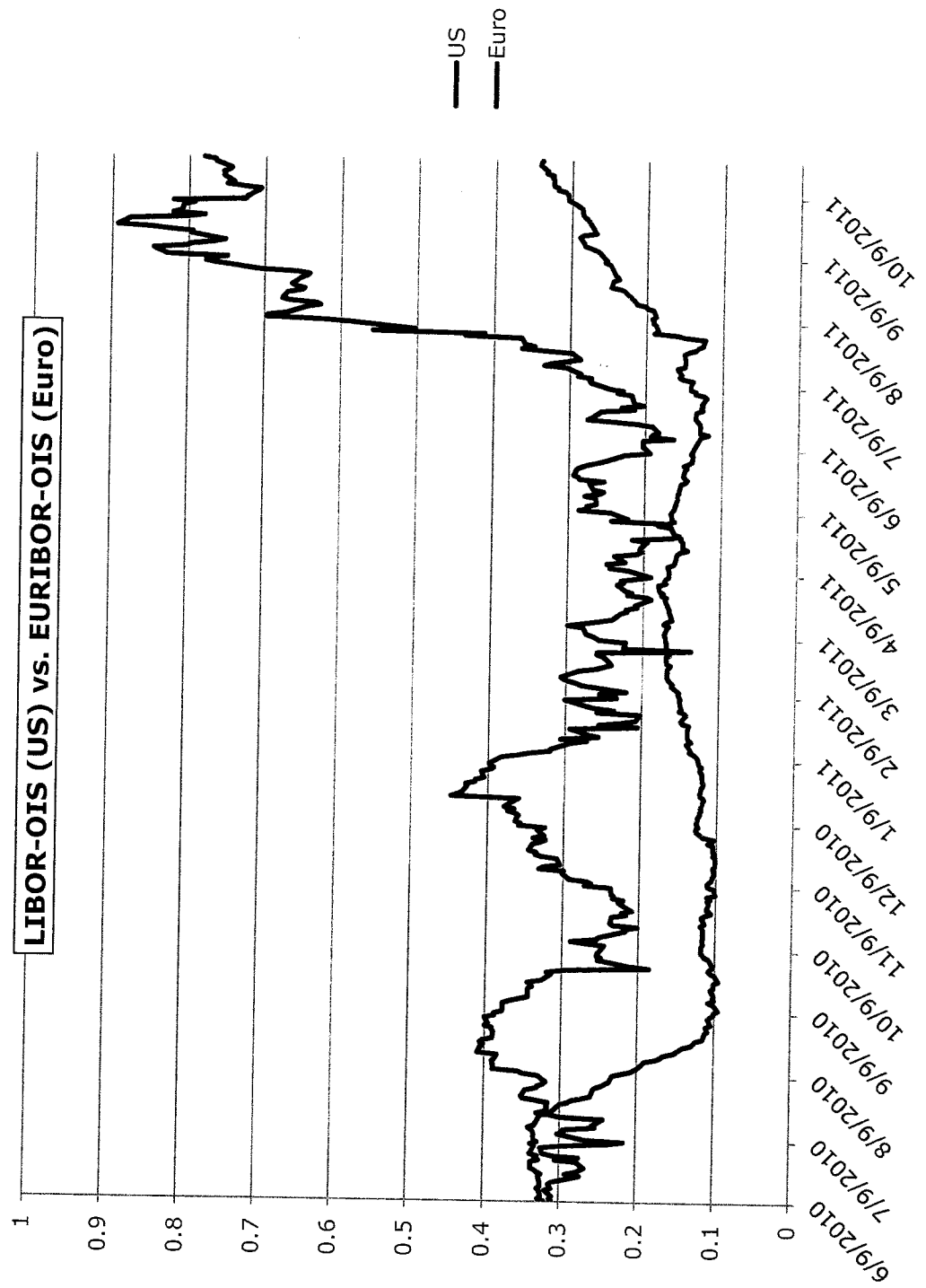
| EBA 2011 Stress Tests | Sovereign Debt |          |         |       |       |
|-----------------------|----------------|----------|---------|-------|-------|
|                       | Greece         | Portugal | Ireland | Spain | Italy |
| French Banks          | 6%             | 3%       | 1%      | 6%    | 26%   |
| Germany Banks         | 6%             | 3%       | 1%      | 15%   | 30%   |
| United Kingdom Banks  | 1%             | 1%       | 0%      | 3%    | 4%    |

- Concerns likely further driven by contagion threat of Greek default impacting Eurozone banking exposure to commercial and corporate debt

## Eurozone Banks

- **Crisis has escalated due to tightening liquidity in short-term funding markets for Eurozone Banks.**
  - Eurozone banks, specifically French banks utilize money markets funds more extensively to meet their financing needs.
  - U.S. Money Market Funds (MMF) have steadily reduced their exposure to Eurozone and French banks.
  - MMF's have shifted their exposure to shorter maturities, placing a further strain on Bank financing needs.
  - As of Aug 31, 28% of MMF exposure to French banks was held in securities maturing in less than 7 days compared to less than 10% on June 30. (Source: Fitch)
  - On a dollar basis, MMF's reduced their exposure to European Banks by 8% in the month of August and by 27% in June through August.
- **Certain European banks have tapped US Fed emergency swap lines for dollar funding**
- **As seen in 2008, concerns regarding Bank's short-term financing needs severely impact investor confidence.**

## Banks In Europe Are Nervous About One Another



Source: Bloomberg



## Breakup Potential

- **Breakup scenarios**
  - Strong core country (ex. Germany) leaving the European Union (EU)
  - Weak countries (ex. Greece) leaving or being expelled
- **Either scenario incurs significant costs and rapid mechanism to convert to original currency (mark, franc, lira, drachma, etc.)**
- **Legal maneuvering**
  - Current European Union treaties do not allow for exit of EU in any way
- **Economic Cost**
  - Weak country - sovereign default, banking system collapse (run on banks), collapse of international trade
  - Strong country - corporate default, banking system collapse (assets now in marks, liabilities still in euro), collapse of international trade
- **Financial Cost**
  - Higher borrowing costs
- **Political Cost**
  - Trade, tariffs, protectionism
  - Years of political capital exerted to unify Europe are not easily given up
- **Social Cost**
  - High financial costs would only further exacerbate depression-like dynamics in peripheral countries and create cross border frictions

## Potential Outcomes

- **Extension of current approach: "Kick the can down the road"**
  - Unlikely long-term outcome
- **Fiscal European Union**
  - One monetary policy and one currency – supported by one fiscal policy across all countries
- **Breakup into Stronger Euro (Core Euro – Germany, France, etc.)**
  - Peripheral nations are expelled
- **Breakup into Weaker Euro**
  - Germany (and perhaps others) exit and leave remaining nations to figure it out
- **Total chaos**
  - Contagion spreading globally, complete dissolving of European Monetary Union, social upheaval, etc.
- **The situation is very fluid and changes on a day-to-day basis:**
  - Recently, the risk of one or multiple countries leaving the Euro within the next twelve months has increased meaningfully
  - A fiscal consolidation remains the most stable potential outcome
  - It is likely that the current structures in place will be used to extend the existing Eurozone in the near term



## What Should Institutional Investors Do?

- **There does not appear to be a short-term opportunistic asset allocation trade (especially in liquid markets)**
  - Range of potential outcomes within Europe is very wide and scope of issues/contagion is unclear
  - Challenging to identify short-term European focused trade that could be implemented at asset allocation policy level
    - Though skilled managers likely see opportunity across markets in Europe
  - Medium to long-term: illiquid credit restructuring opportunities remain very attractive
- **Market volatility has been elevated and will likely remain so for some time**
  - Suggests caution for investors
  - Risks of sovereign debt has evolved and thus may warrant review of overall exposure
- **However, sell-off in risk assets and bond rally makes rebalancing attractive**
  - Improved global liquidity and less leverage relative to 2008
  - Global reduction in exposure to European banks in short-term lending markets lessens contagion risk
- **Those clients with allocations to tactical strategies (GAA or global macro) can benefit from skilled managers rotating across stocks, bonds, currencies, and real assets**

## **Alternative Investment Outlook**

## Hedge Funds – Current Investment Landscape

### 2011 Attractive Investment Opportunities

- **European Restructuring/Special Situations:**
  - Bank Relief Capital for Regulatory Reforms, Structured Securities (Real Estate)
  - Restructuring of both Corporate and Sovereign Balance Sheets
  - Hybrid Securities and Investment Vehicles Targeting Middle Market
- **Event-Driven/Catalyst –Driven Investing Across the Capital Structure:**
  - \$485BN of Private Equity Capital likely to be invested over next 24 months combined with All-Time High Corporate Cash Balances
  - Heightened Focus on Corporate Governance Practices
  - Distress: slow or moderate growth in developed economies puts further strain on overleveraged assets
- **Long Term Growth Fundamentals Favor Increasing Exposure to Emerging Markets:**
  - Timing and Valuations are Key: Markets Rebounded Strongly in 2009 and 2010
  - Exposure to Managers with Ability/Mandate to Incorporate Global Views and Exposures into Research Process and Portfolio
  - Equity, Direct Lending and Emerging Markets debt in local currency

## Hedge Funds – Current Investment Landscape

### 2011 Key Risks to Consider

- **Sovereign Contagion:**
  - What happens to PIIGS?
  - Effects on European Union and Global Macroeconomic Stability.
  - How to Governments/Central Banks deal with large structural imbalances?
    - U.S. debt ceiling issue
- **Increased Government Regulation:**
  - Protectionist policies sparked by sluggish growth rates and high unemployment in industrialized world spurs trade wars.
- **Rapid and Sustained Real Asset/Commodity Price Spike:**
  - Potential to derail already fragile global economic recovery.
- **Asset Bubble Caused by the "Search for Yield" in a Low Yielding Environment:**
  - Specific focus on an Asian-related asset bubble given long term growth dynamics of geography.
- **"Bad Apple" Risk:**
  - Associated with further manager scrutiny and government agency investigations around "Information Networks".

## Hedge Funds – Themes and Opportunities

### • Specific Investment Themes and Recommended Managers

| Themes/Catalysts   | Approach  | Managers With An Edge   |
|--|---|---|
| <p><b>Europe Special Situations:</b> Basel III and other regulations leading to <b>asset sales</b> (corporate, structured, and private) and providing other opportunities for investors (e.g. <b>bank recap transactions</b>) by banks on a global basis</p> | <ul style="list-style-type: none"> <li>• Bank Reg Cap Relief</li> <li>• European Distressed</li> <li>• Mortgage Whole Loans/Structured Securities</li> </ul>        | <ul style="list-style-type: none"> <li>• Orchard</li> <li>• Fortelus, <b>Strategic Value</b></li> <li>• Tricadia, Waterfall</li> </ul>                            |
| <p><b>Event Driven:</b> P/E Capital Overhang combined with large Corporate Cash Balances and a positive environment for corporate governance practices equal an attractive M&amp;A environment.</p>  | <ul style="list-style-type: none"> <li>• Activism</li> <li>• Sector focused Equity L/S</li> <li>• M&amp;A Arb</li> <li>• HFOF</li> </ul>                            | <ul style="list-style-type: none"> <li>• Blue Harbour, Cevian</li> <li>• Palo Alto</li> <li>• Davidson Kempner, King Street</li> <li>• Entrust, PAAMCO</li> </ul> |
| <p><b>Middle Market Credit:</b> Illiquidity and Complexity Premiums where capital is less available.</p>   | <ul style="list-style-type: none"> <li>• Direct Lending/Asset Backed</li> <li>• L/S Credit &amp; Small/Middle Market</li> <li>• Distress</li> <li>• HFOF</li> </ul> | <ul style="list-style-type: none"> <li>• Medley, Perella Weinburg</li> <li>• Beach Point</li> <li>• PAAMCO</li> </ul>   |
| <p><b>Macro Dominated Environment Risk Environment:</b> Ability to incorporate concepts such as Government Regulation, Sovereign Uncertainties and volatile real asset prices into investment framework.</p>   | <ul style="list-style-type: none"> <li>• GM: Discretionary</li> <li>• GM: Systematic</li> <li>• Equity L/S</li> <li>• HFOF</li> </ul>                               | <ul style="list-style-type: none"> <li>• Argonaut, Caxton, Graham</li> <li>• BlueTrend, Graham, Tudor</li> <li>• Discovery, Passport</li> <li>• Permal</li> </ul> |
| <p><b>Volcker Rule: Shrinkage of Prop Desks:</b> More inefficiencies/dislocations among RV Strategies</p>  | <ul style="list-style-type: none"> <li>• Cap Structure/FI Arb</li> <li>• HFOF</li> </ul>  | <ul style="list-style-type: none"> <li>• Canyon, Mariner Atlantic</li> <li>• Crestline, Permal</li> </ul>   |

**Names in "Bold" are Managers on NEPC's Approved List of Managers.**

## Credit Opportunities

- **Illiquidity and complexity premium is attractive**
  - Investors over-emphasizing liquidity and simplicity post financial crisis
- **Improving “credit pickers” market**
  - Focus on credit selection, quality and place within capital structure
  - Manager selection is of greater importance
- **Attractive strategies**
  - Middle market distressed lending/mezzanine, structured credit, residential mortgage securities
  - Strategies related to corporate actions or event-driven
  - Attractive strategies tend to have a longer duration, but recent credit sell-off has made liquid directional and relative value strategies more compelling
  - European credit markets are likely to provide a plethora of opportunity
- **Each client/portfolio is unique, thus the need to match the appropriate strategy and manager with the desired objective and constraints of the plan**

## Credit Opportunities Recommendations - Summary

| Characteristics                                 | Corporate Credit                                      |                                      |                                       | Real Estate Related  |  |                           | Other                                 |                               |                                |
|---|---|--------------------------------------|---------------------------------------|--|--|---------------------------|---------------------------------------|-------------------------------|--------------------------------|
|   | Broadly Syndicated Loans or Bonds                     | Senior and Mezzanine Private Lending | Distressed - Control or Trading       | Residential Mortgage-Backed Securities                               | Commercial Mortgage-Backed Securities                                | Whole Loans               | Other Asset-Backed                    | L/S Credit and Relative Value | Banks & Financial Institutions |
| Attractiveness (Risk Adjusted Return Potential) | ♦♦  | ♦♦                                   | ♦♦                                    | ♦♦♦  | ♦♦   | ♦♦                        | ♦♦♦                                   | ♦♦                            | ♦♦♦                            |
| Liquidity                                       | Moderate  | Low                                  | Low                                   | Moderate   | Moderate   | Low                       | Moderate/Low                          | Moderate                      | Low                            |
| Portfolio Positioning (emphasis)                | Strategic   | Credit Opportunity                   | Credit Opportunity                    | Strategic  | Strategic  | Credit Opportunity        | Credit Opportunity                    | Strategic                     | Credit Opportunity             |
| Implementation                                  | Long-only, multi-sector credit strategies, long/short | Private markets structure            | Long/Short, private markets structure | Long-only, multi-sector credit strategies, private markets structure | Long-only, multi-sector credit strategies, private markets structure | Private markets structure | Long/Short, private markets structure | Long/Short                    | Private markets structure      |
| NEPC preferred manager options (Yes/No)         | Yes   | Yes                                  | Yes                                   | Yes  | Yes  | Yes                       | Yes                                   | Yes                           | Yes                            |
| Selected Managers                               |   |                                      |                                       |  |  |                           |                                       |                               |                                |

### Relative Attractiveness Scoring:



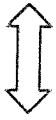






|                                    |     |
|------------------------------------|-----|
| Attractive at this time            | ♦♦♦ |
| Moderately attractive at this time | ♦♦  |
| Not attractive at this time        | ♦   |

## Private Equity Strategy Summary

| Strategy                             | Macro Conditions<br>Favorable to Investing  | Sources of<br>Returns                                 | Time<br>Horizon to<br>Liquidity | IRR<br>Range | DPI<br>Multiple |
|--------------------------------------|---|---|---------------------------------|--------------|-----------------|
| <b>Venture</b>                       | <ul style="list-style-type: none"> <li>• Recessionary Environment / Improving public markets</li> <li>• Lack of funding sources</li> <li>• Assets with significant upside potential available for investment</li> </ul> | Capital Appreciation                                  | 7 - 9 years                     | 8% - 10%     | 2.00X           |
| <b>Growth</b>                        | <ul style="list-style-type: none"> <li>• Recessionary Environment / Improving public markets</li> <li>• Lack of funding sources</li> <li>• Improving economic conditions (growth strategy in favor)</li> </ul>          | Capital Appreciation                                  | 6 - 8 years                     | 10% - 15%    | 2.00X           |
| <b>Buyouts</b>                       | <ul style="list-style-type: none"> <li>• Distressed opportunities / Improving exit markets</li> <li>• Industry fragmentation that can be consolidated</li> <li>• Available, inexpensive credit</li> </ul>               | Capital Appreciation, Dividends and Recapitalizations | 5 - 6 years                     | 7% - 10%     | 1.75X           |
| <b>Mezzanine</b>                     | <ul style="list-style-type: none"> <li>• Post-recession environment</li> <li>• Lack of cheap debt available</li> <li>• Private equity capital available for deployment</li> </ul>                                       | Current Income with limited Capital Appreciation      | 2 - 3 years                     | 11% - 14%    | 1.50X           |
| <b>Venture Lending &amp; Leasing</b> | <ul style="list-style-type: none"> <li>• Large venture capital investment opportunity Set</li> <li>• Lack of cheap debt available</li> <li>• Warrants available for investments in companies</li> </ul>                 | Current Income with limited Capital Appreciation      | 3 - 4 years                     | 15% - 21%    | 1.75X           |
| <b>Secondaries</b>                   | <ul style="list-style-type: none"> <li>• Volatile economic environment</li> <li>• Motivated sellers</li> <li>• Capital calls exceed distributions</li> </ul>  | Capital Appreciation                                  | 2 - 3 years                     | 14% - 22%    | 1.50X           |
| <b>Distressed</b>                    | <ul style="list-style-type: none"> <li>• Weak/recovering public market environment</li> <li>• Economic uncertainty</li> <li>• Available, inexpensive credit</li> </ul>  | Capital Appreciation                                  | 3 - 4 years                     | 15% - 21%    | 1.75X           |
| <b>Energy</b>                        | <ul style="list-style-type: none"> <li>• Low interest rate environment</li> <li>• Energy prices at low point in cycle</li> <li>• Weak public market environment</li> </ul>  | Current Income with limited Capital Appreciation      | 3 - 4 years                     | 15% - 21%    | 1.75X           |
| <b>Infrastructure (ex-Energy)</b>    | <ul style="list-style-type: none"> <li>• Improving economy</li> <li>• High levels of deal flow</li> <li>• Assets with significant upside potential</li> </ul>   | Current Income with Capital Appreciation              | 6 - 12 years                    | 6% - 10%     | 1.75X           |






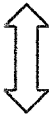

## Private Equity – Current Opportunity

| Strategy                   | NEPC Recommendation   | NEPC Assessment   |
|----------------------------|---|---|
| Venture                    | <ul style="list-style-type: none"> <li>• De-emphasize traditional VC due to long exit horizon</li> <li>• Continue relationships with out-performing managers</li> <li>• Best risk adjusted returns for venture capital via venture lending or venture secondaries</li> </ul>                            |    |
| Growth                     | <ul style="list-style-type: none"> <li>• Industry specialists provide expertise to derive maximum returns on investments</li> <li>• Make development market investments highly diversified by manager and vintage year</li> <li>• Consider secondary direct as complimentary growth strategy</li> </ul> |    |
| Buyouts                    | <ul style="list-style-type: none"> <li>• Avoid large buyouts due to pricing and capital overhang</li> <li>• Emphasize small-mid market buyouts with industry specialization and operational expertise</li> </ul>  |    |
| Mezzanine                  | <ul style="list-style-type: none"> <li>• Focus on middle market mezzanine in light of tight credit and wide range of capital needs of smaller companies</li> </ul>  |    |
| Venture Lending & Leasing  | <ul style="list-style-type: none"> <li>• Invest in groups with good track record, strong credit skills and deep industry knowledge</li> <li>• Use as alternative to traditional venture capital exposure</li> </ul>   |   |
| Secondaries                | <ul style="list-style-type: none"> <li>• Utilize small funds or secondary direct funds to complement existing large fund investments</li> <li>• European focused funds provide compliment to many portfolios</li> </ul>   |  |
| Distressed                 | <ul style="list-style-type: none"> <li>• Debt for control &amp; turnaround strategies more favorable than non-control strategies</li> <li>• Middle market and European funds provide more attractive pricing than larger U.S. funds</li> </ul>  |  |
| Energy                     | <ul style="list-style-type: none"> <li>• Midstream investments to support shale and other non-traditional sourcing provide attractive returns while minimizing direct resource price exposure</li> </ul>  |  |
| Infrastructure (ex-Energy) | <ul style="list-style-type: none"> <li>• Focus on assets that are more resilient to economic downturn</li> <li>• Mid-stream energy provides most attractive infrastructure opportunities</li> </ul>   |  |

## Real Estate Market Overview

- **Through 3Q-2011, the U.S. recovery remains uncertain, however, real estate has shown some signs of stabilization**
  - Real estate fundamentals have improved and new construction is limited
  - Real estate indices have rebounded since 2009 lows
  - Capitalization rates have declined since 2009
  - Real estate yields remain attractive relative to treasuries
- **Transaction volumes back to pre-Bubble levels, however still well below peak volumes from 2005-2007**
- **Significant capital has flowed into Core real estate which has helped to drive valuations upward**
  - Many core open-end funds have multiple quarter entrance queues
- **Despite promising signs in the CRE market, many issues persist (debt maturities and distress)**
  - Unlike core properties, distressed prices remain at crisis-level lows
  - Financing for non-core properties is scarce
  - The volume of distressed assets remains large

## Real Estate - Current Recommendations

| Investment Style                                 | Fundamentals  | NEPC Recommendation   |
|--|---|---|
| <b>Core Real Estate</b>                          | <ul style="list-style-type: none"> <li>• Significant capital inflows</li> <li>• Valuation metrics rebounded</li> <li>• Competitive bidding for assets</li> </ul>  | <ul style="list-style-type: none"> <li>• Hold to target allocation</li> <li>• If under-allocated, allocate capital to rebuild to target</li> </ul>   |
| <b>Value-Add Real Estate</b>                     | <ul style="list-style-type: none"> <li>• Distressed opportunities</li> <li>• New capital required in many deals</li> <li>• Ability to sell assets to core market once stabilized</li> </ul>   | <ul style="list-style-type: none"> <li>• Target skilled operators / funds with multi-disciplined expertise and proven ability to invest across the capital structure and source off-market deals</li> </ul>  |
| <b>Opportunistic Real Estate</b>                 | <ul style="list-style-type: none"> <li>• Distressed opportunities</li> <li>• New capital required in many deals</li> <li>• Ability to sell assets to core market once stabilized</li> </ul>   | <ul style="list-style-type: none"> <li>• Target skilled operators / funds with multi-disciplined expertise and proven ability to invest across the capital structure and source off-market deals</li> </ul>  |
| <b>Core Focused, Senior Real Estate Debt</b>     | <ul style="list-style-type: none"> <li>• Significant debt at attractive terms available for core real estate</li> <li>• Limited upside potential; however yield-focused strategy may be attractive in low growth environment</li> </ul> | <ul style="list-style-type: none"> <li>• Consider as complement to core</li> <li>• Limited upside given senior capital structure investment</li> </ul>   |
| <b>Non-Core Focused, Junior Real Estate Debt</b> | <ul style="list-style-type: none"> <li>• Lenders still skittish about value-add, opportunistic and non-core property type lending</li> <li>• What will fill the CMBS void</li> </ul>  | <ul style="list-style-type: none"> <li>• Target funds with long history and expertise in lending</li> </ul>    |

# Hedge Fund Investing 101

## Long Term Investment Fund

Texas Tech University System  
December 15, 2011

# Outline

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- Endowment Process
- Investment Process
- Hedge Funds 101
- TTUS History of Hedge Fund Investing
  - Inception: May 2002 – August 2011
- Summary
- Appendix
  - Who oversees these investments?
  - TTUS Hedge Fund Portfolio Today

# Endowment Process

## Background

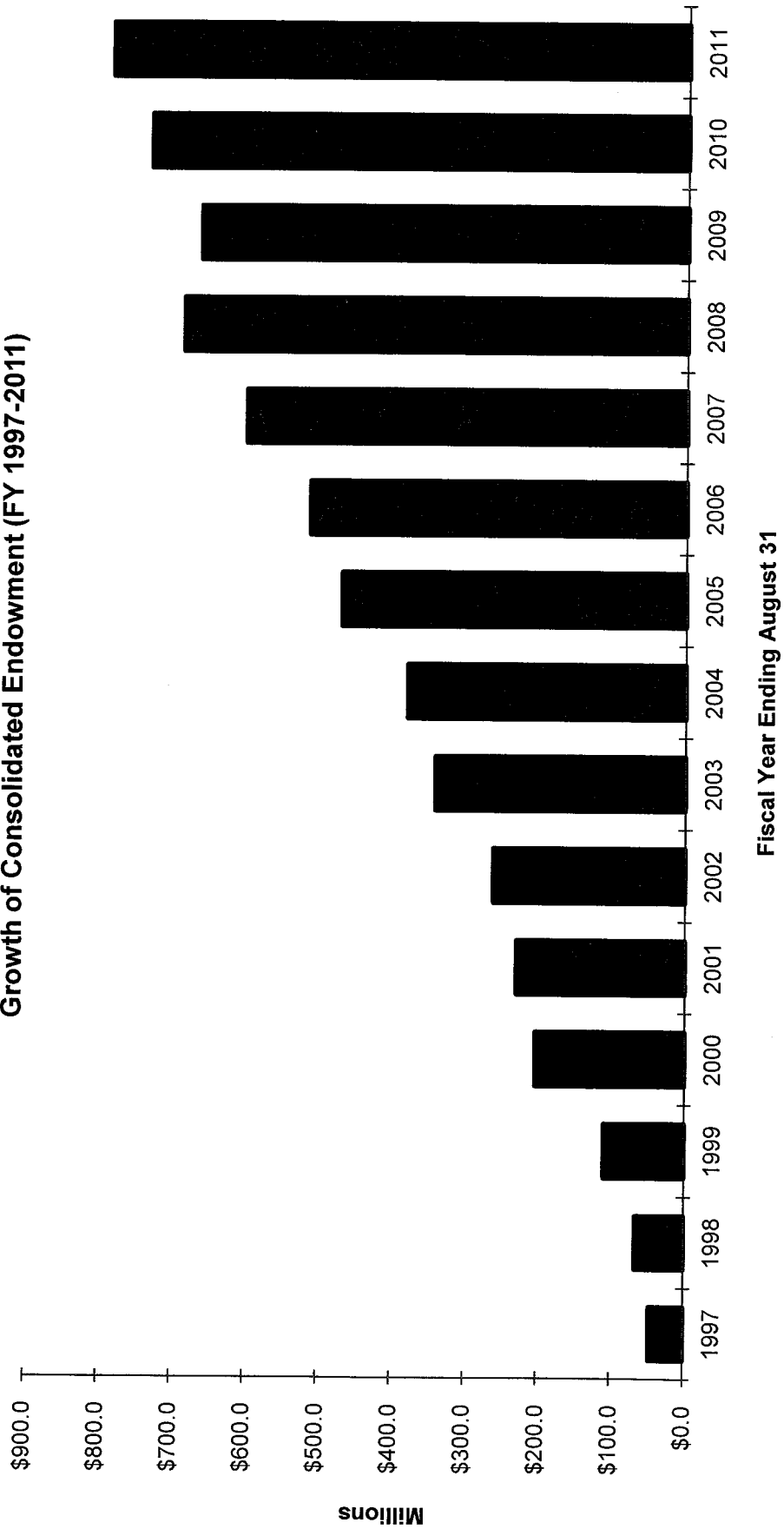
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- **PURPOSE:** **Preserving and improving on**
  - Research and Teaching – excellent faculty
  - Student enrollment – recruit able, motivated, and diverse students; expand access with scholarships and grants
  - Facilities to meet student and faculty needs

# Texas Tech University System

## Endowment Growth

Texas Tech University System  
Growth of Consolidated Endowment (FY 1997-2011)



# Endowment Process

## Background

---

- **GOAL: Meets revenue goals**
  - 4.5% Spending Rate
  - 3.0% Expected Inflation
  - 0.5% Fees & Expenses
- **8% Target Rate of Return**



# Endowment Process

## Background

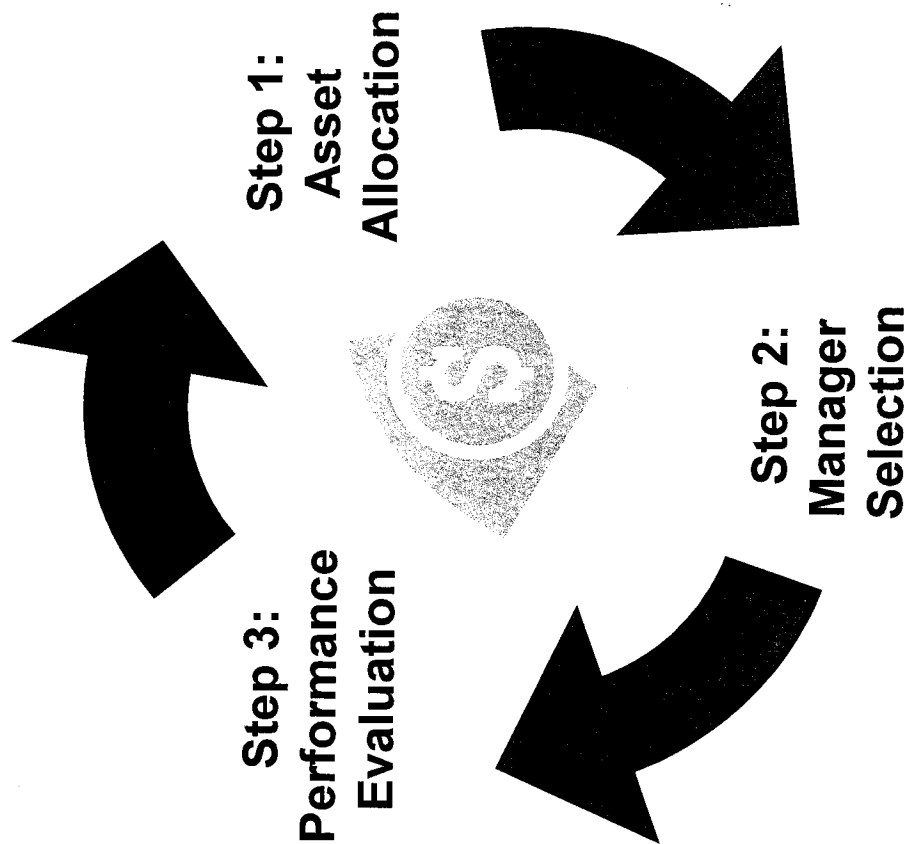
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- **TIME HORIZON: Perpetual**
  - Managing effectively for today and for future generations

# Endowment Process

## The Investment Process

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# Investment Process

## Asset Allocation

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- **Return**
  - Mean or average return
- **Risk**
  - volatility and measured by standard deviation
- **Correlation**
  - how much asset classes returns “move in sync”

# Investment Process

Asset Allocation - Where do Hedge Funds fit?

TTUS LTIF Asset Allocation

| Asset Class  | Constrained | Non-constrained | Private | TOTAL |
|--------------|-------------|-----------------|---------|-------|
| Equity       | 26%         | 12%             | 10%     | 48%   |
| Fixed Income | 10%         | 10%             | 10%     | 30%   |
| Real Assets  | 5%          | 5%              | 12%     | 22%   |
| TOTAL        | 41%         | 27%             | 32%     | 100%  |

Utilize different trading strategies and financial instruments, but most are still driven up or down by equities, fixed income or real asset markets.

Diversification – by geography, industry, and trading style

Risk management – lower correlations, dampen downside volatility (losses)

# Texas Tech University System vs. Peers -Asset Allocations

Data from the June 30, 2010 NACUBO Survey

|                        | TTUS*        | >\$1BB<br>53 Peers | \$501MM-<br>\$1BB<br>65 Peers | NACUBO<br>Survey<br>716 Peers |
|------------------------|--------------|--------------------|-------------------------------|-------------------------------|
| Equities               | 25.6%        | 26.0%              | 35.0%                         | 31.0%                         |
| Fixed Income           | 5.2%         | 10.0%              | 14.0%                         | 12.0%                         |
| Cash                   | 6.7%         | 4.0%               | 6.0%                          | 5.0%                          |
| Private Equity**       | 16.5%        | 22.2%              | 15.9%                         | 18.2%                         |
| Private Real Assets*** | 17.2%        | 15.0%              | 8.6%                          | 12.5%                         |
| <b>Hedge Funds</b>     | <b>28.8%</b> | <b>22.8%</b>       | <b>20.7%</b>                  | <b>21.3%</b>                  |

\*TTUS LTIF Asset Allocation is as of June 30, 2011

\*\*real estate, oil, gas, timber, commodities & managed futures

\*\*\*private equity, distressed debt, venture capital

# Hedge Funds 101

## What Is a Hedge Fund?

[http://en.wikipedia.org/wiki/Hedge\\_fund](http://en.wikipedia.org/wiki/Hedge_fund)

- A **hedge fund** is a private pool of capital actively managed by an investment adviser.
  - **Takeaway – a hedge fund is a legal structure**
- Hedge funds are only open for investment to a limited number of accredited or qualified investors who meet criteria set by regulators. These investors can be institutions, such as pension funds, university endowments and foundations, or high net worth individuals. Worldwide, 61% of investment in hedge funds is from institutional sources as of February 2011. As of 2009, hedge funds represent 1.1% of the total funds and assets held by financial institutions. The estimated size of the global hedge fund industry is US\$1.9 trillion.
  - **Takeaway – hedge funds are growing in size and gained acceptance among institutional investors**
- Hedge funds are distinct from mutual funds, individual retirement and investment accounts, and other types of traditional investment portfolios because they can undertake a wider range of investment and trading activities, and invest in a broader range of assets, including equities, bonds, commodities and derivatives. Most hedge fund investment strategies aim to achieve a positive return on investment whether markets are rising or falling.
  - **Takeaway – hedge funds are a way to diversify a traditional investment portfolio**

# Hedge Funds 101

What distinguishes a Hedge Fund from “Traditional Manager”?

Chartered Alternative Investment Analyst (CAIA) – Mark Anson

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- Hedge funds tend to be **benchmark agnostic** and some may use more concentrated strategies
- May take **long or short** positions in securities
- May use **derivatives** – options, futures or forwards
- May use **leverage**
- May purchase **non-public securities** – i.e. 144A securities (private placements)
- **Fee Structure** – tend to charge a higher management fee (2%) and a performance fee (“carry” 20%)
- **Liquidity** - typically funds are “locked-up” for some period of time (quarterly)

# Hedge Funds 101

Why Invest in Hedge Funds?

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- Efficient Frontier
  - diversification increase returns and lower risk (volatility)
  - Low correlation assets increases diversification
- Mitigate portfolio draw downs
  - “left-tail” risk = Again lower risk by cutting losses



# Why Hedge Funds in 2002?

“Growth of \$100”

| Index        | 1993-2002 | 2000-2002 |
|--------------|-----------|-----------|
| S&P 500      | \$245.12  | \$62.60   |
| Barclay Bond | \$202.23  | \$130.80  |
| HFRI FOFs    | \$221.35  | \$102.31  |

- Stocks hurt performance post Internet bubble
- *Protect the downside (loss), while participating in the upside = diversification, push the efficient frontier up and to the left*

# Texas Tech University System Hedge Fund Performance

From Inception in May 2002 to Fiscal  
Year Ending August 2011

# Texas Tech University System

## Hedge Fund History

### May 2002 – August 2011

| Returns         | 2002    | 2003   | 2004   | 2005   | 2006   | 2007   | 2008    | 2009   | 2010   | 2011   |
|-----------------|---------|--------|--------|--------|--------|--------|---------|--------|--------|--------|
| S&P 500         | -17.30% | 28.68% | 10.88% | 4.91%  | 15.79% | 5.49%  | -37.00% | 26.46% | 15.06% | -1.77% |
| Barclay<br>Bond | 8.06%   | 4.11%  | 4.34%  | 2.43%  | 4.33%  | 6.96%  | 5.24%   | 5.93%  | 6.56%  | 5.90%  |
| TTUS HFs        | 0.73%   | 8.91%  | 8.12%  | 11.97% | 12.66% | 10.07% | -16.80% | 18.33% | 8.97%  | -2.88% |

# Texas Tech University System

## Hedge Fund History

Drawdown - peak-to-trough decline during a specific period of an investment  
May 2002 – August 2011

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| S&P 500       |          |                    |                              |
|---------------|----------|--------------------|------------------------------|
| Time          | Drawdown | Length of Recovery | Needed to get back to "even" |
| 10/07 – 02/09 | -50.95%  | Not yet            | 16.71%                       |
| 04/02 – 09/02 | -23.74%  | 13 months          | N/A                          |
| 05/07 – 07-07 | -4.71%   | 2 months           | N/A                          |

## Texas Tech University System

### Hedge Fund History

Drawdown - peak-to-trough decline during a specific period of an investment  
May 2002 – August 2011

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| Barclay Bond  |          |                    |                              |
|---------------|----------|--------------------|------------------------------|
| Time          | Drawdown | Length of Recovery | Needed to get back to "even" |
| 03/08 – 10/08 | -3.82%   | 2 months           | N/A                          |
| 05/03 – 07/03 | -3.55%   | 6 months           | N/A                          |
| 03/04 – 05/04 | -2.99%   | 3 months           | N/A                          |

## Texas Tech University System

### Hedge Fund History

Drawdown - peak-to-trough decline during a specific period of an investment  
May 2002 – August 2011

---

| TTUS Hedge Funds |          |                    |                              |
|------------------|----------|--------------------|------------------------------|
| Time             | Drawdown | Length of Recovery | Needed to get back to "even" |
| 10/07 – 12/08    | -17.25%  | 15 months          | N/A                          |
| 04/11 – 08/11*   | -6.73%   | Not yet            | <b>7.21%</b>                 |
| 04/10 – 06/10    | -3.44%   | 3 months           | N/A                          |

*\*04-11 - 08/11 the S&P 500 is down -7.26%*

Texas Tech University System  
Hedge Fund History  
The Normal Distribution

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| May 2002 – August 2011 | Mean  | Std Dev | 2 Std Dev<br>Loss | Actual<br>Drawdown |
|------------------------|-------|---------|-------------------|--------------------|
| S&P 500                | 0.28% | 4.54%   | -8.83%            | -16.80%            |
| Barclays Bonds         | 0.47% | 1.07%   | -1.67%            | -3.36%             |
| TTUS HFs               | 0.48% | 1.48%   | -2.48%            | -5.33%             |

Texas Tech University System  
Hedge Fund History  
Correlation Tables

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**May 2002 – August 2011**

| Asset Class  | S&P 500 | Barclay Bond | TTU HFs |
|--------------|---------|--------------|---------|
| S&P 500      | 1.00    |              |         |
| Barclay Bond | -0.02   | 1.00         |         |
| TTU HFs      | 0.60    | -0.07        | 1.00    |



Texas Tech University System  
Hedge Fund History

Value of \$100

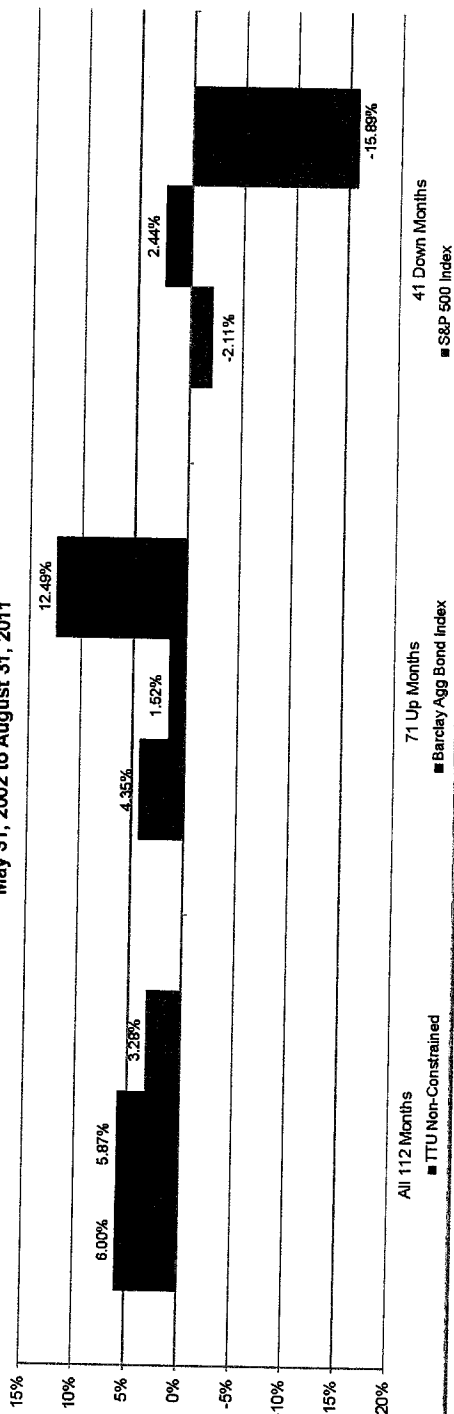
May 2002 – August 2011

| S&P 500     |  | Total           | Barclay Bond | Total           |
|-------------|--|-----------------|--------------|-----------------|
| Return      |  | 3.36%           | Return       | 5.77%           |
| Drawdown    |  | -50.95%         | Drawdown     | -3.82%          |
| Value \$100 |  | <b>\$136.12</b> | Value \$100  | <b>\$168.81</b> |

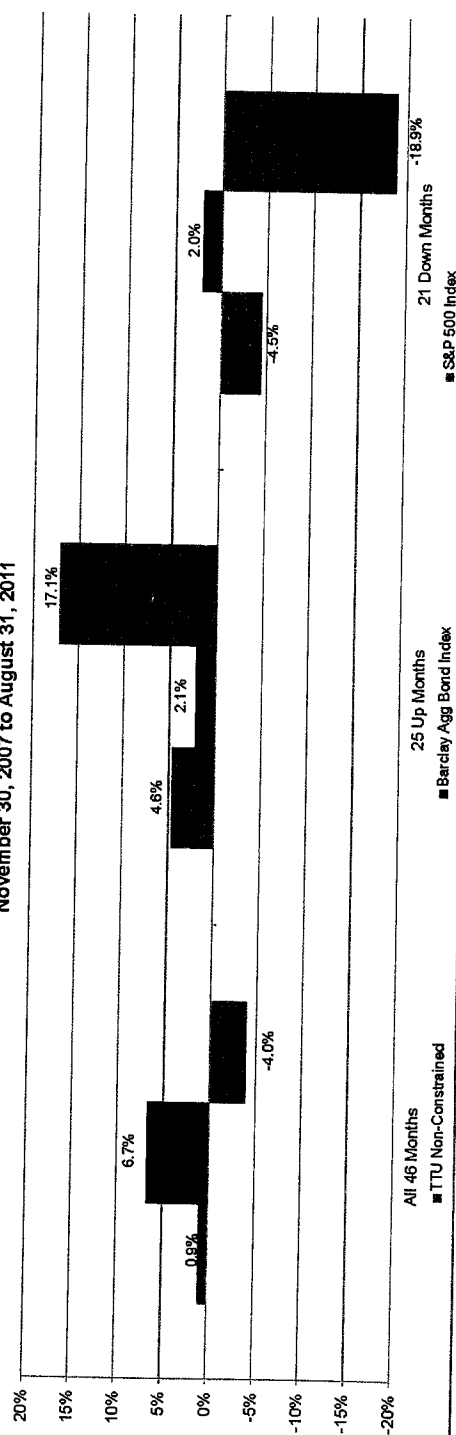
| TTUS HF's   |  | Total           |
|-------------|--|-----------------|
| Return      |  | 5.96%           |
| Drawdown    |  | -17.25%         |
| Value \$100 |  | <b>\$171.61</b> |

## Texas Tech University System Composite Returns in Up & Down Markets

**Annualized Returns for Up and Down Periods of the U.S. Stock Market  
May 31, 2002 to August 31, 2011**



**Annualized Returns for Up and Down Periods of the U.S. Stock Market  
November 30, 2007 to August 31, 2011**



Note: U.S. Stock Market returns are measured with the S&P 500. Up periods are defined by positive (including zero) index returns and down periods are defined by negative index returns.

## Summary

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- Since inception in 2002, the TTUS Hedge Fund Composite has added value by reducing risk
- Recently, rising correlations have dampened their effectiveness, so staff and the IAC are continually looking for ways to improve the portfolio (Global Macro)

## Appendix

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Who oversees these investments?

TTUS Hedge Fund Portfolio Today

Who oversees this process?

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## Texas Tech University System Investment Office & Investment Advisory Committee

## Texas Tech University System Staff

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- Gary Ratliff, Chief Investment Officer
- Michael Horst, Investment Manager
- Eric Fisher, Treasury Services Manager
- Chris Gailey, Senior Analyst
- David Windle, Senior Analyst

# Texas Tech University System

## Investment Advisory Committee

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- Carrol McGinnis – Chair
- Alan Brown
- Chris Floyd
- Langston Turner
- R. Burns McKinney
- Robert Matejek
- Regent Larry Anders
- Regent L. Frederick “Rick” Francis

## Texas Tech University System Consultant

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- NEPC
  - KC Connors, Partner – lead consultant for TTUS
  - Eight people dedicated to Hedge Funds
  - Sean Gill, Partner Alternative Assets
  - Neil Sheth, Senior Consultant – Director of HFs
  - Analysts: Frank Barbarino, Tim Bruce, John Casano  
Alex Kamunya, Dulari Pancholi, Kamal Suppal



# Texas Tech University System Due Diligence

Manager Selection (diversification)

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- Due Diligence
  - Audits, Independent Administrator, Transparency (risk report), Statistical Analysis (Per Trac) – risks/returns/correlations, ADV review, Investor Base, Liquidity, Leverage, Legal Review, On site visits, Reference Checks
- Consultant – NEPC
  - Eight people dedicated to Hedge Funds

# Legal Review – Due diligence

Eric Fisher

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Counsel & staff review fund documents to:

- Ensure agreements are in compliance with state statutes
  - Indemnity, sovereign immunity, and public information (usually addressed in standard side letter)
- Terms reflect best practices
  - ex. Management fee waterfall clarity, reporting content & due date codification, key man provisions, deal fee offset against management fee, fund expiration definition, recycling of capital, redemption provisions, etc.

Legal counsel is currently Vinson & Elkins

- Other public clients include Texas General Land Office, Texas Treasury Safekeeping Trust Company, & UTIMCO

# Benchmarking – Risk Analysis

Chris Gailey

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- Benchmark against traditional asset classes – Equities & Fixed Income
- Benchmark against hedge fund indices
- Run Quantitative screens and check-ups to detect risk (drawdowns, correlations, volatility) and skill (alpha, sharpe ratio)

# Texas Tech University System

## Hedge Fund Portfolio Today

As of October 31, 2011

- 15 Active Managers
  - oldest hired in May 2003
  - Largest 2.3% of AUM & Smallest is 1.5% of AUM
- Five Long/Short Equity Managers
  - 13.9% of AUM, 3.6% liquidating = 10.3% Exposure
- Six Credit Managers
  - 12.7% of AUM, 2.5% liquidating = 10.2% Exposure
- Four Real Asset Managers
  - 6.5% of AUM, possible trim = 5% Target Exposure

# Texas Tech University System

## Hedge Fund Portfolio Today

As of October 31, 2011

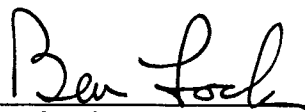
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- Monitor performance relative to benchmark(s) and peers
- Monitor manager size - % of our AUM and their size relative to the liquidity & opportunities in their strategy
- Monitor diversification across geography, strategy, industry
- Monitor use of leverage, derivatives & counter-parties
- Monitor personnel changes

## INDEX OF ATTACHMENTS

|               |   |
|---------------|---|
| Attachment 1  | TTUS Investment performance Analysis  |
| Attachment 2  | TTUS Capital markets Review & Outlook   |
| Attachment 3  | TTUS Hedge Fund Investing 101 – Long Term Investment Fund   |
| Attachment 4  | TTUS Meeting the Goals of <i>Closing the Gaps</i> by 2015 and Planning for the Future PowerPoint  |
| Attachment 5  | ASU Operating Policy and Procedure OP 42.01: Admission to the College of Graduate Studies   |
| Attachment 6  | TTUS Recommendations of the <i>Regents' Rules</i> Review Committee  |
| Attachment 7  | TTU Re-Approve Project to Renovate the PrinTech Building for Exercise and Sports Sciences PowerPoint  |
| Attachment 8  | TTU Approve a Project to Renovate the Gym within the Exercise Sciences Building as a Multi-purpose Studio PowerPoint                          |
| Attachment 9  | TTU Approve Increase to Design Budget for the Construction of a New Petroleum Engineering Building PowerPoint                                 |
| Attachment 10 | TTU Approve a Project to Construct the Administration Building Third Floor Finish-out PowerPoint  |
| Attachment 11 | TTU Report on the Viability of Weeks Hall PowerPoint  |
| Attachment 12 | TTUS Design and Construction Review Report  |
| Attachment 13 | TTUS Fourteenth Supplemental Resolution (edited to reflect the final action of the BOR)   |
| Attachment 14 | TTUS Fifteenth Supplemental Resolution (edited to reflect the final action of the BOR)  |
| Attachment 15 | TTUS 2012 Bond Issuance PowerPoint  |
| Attachment 16 | TTUS Term of Application Subscription Program Agreement, Application Subscription Program (ASP), for TouchNet                                 |
| Attachment 17 | TTUS TouchNet PowerPoint  |
| Attachment 18 | TTU Texas Tech University Independent School District (TTUISD) Partnership with High School Serviços Educacionais (HSSE) in Brazil PowerPoint |
| Attachment 19 | TTUS Prioritized Audit Plan 2012  |
| Attachment 20 | TTUS 2011 Annual Report PowerPoint  |
| Attachment 21 | TTUS Chancellor's Report  |
| Attachment 22 | TTU President's Report  |
| Attachment 23 | TTU SGA President's Report  |
| Attachment 24 | TTUHSC President's Report   |
| Attachment 25 | TTUHSC SGA President's Report   |
| Attachment 26 | ASU President's Report  |
| Attachment 27 | ASU SGA President's Report  |

I, Ben Lock, the duly appointed and qualified Secretary of the Board of Regents, hereby certify that the above and foregoing is a true and correct copy of the Minutes of the Texas Tech University System Board of Regents meeting on December 15-16, 2011.

  
Ben Lock  
Secretary

SEAL



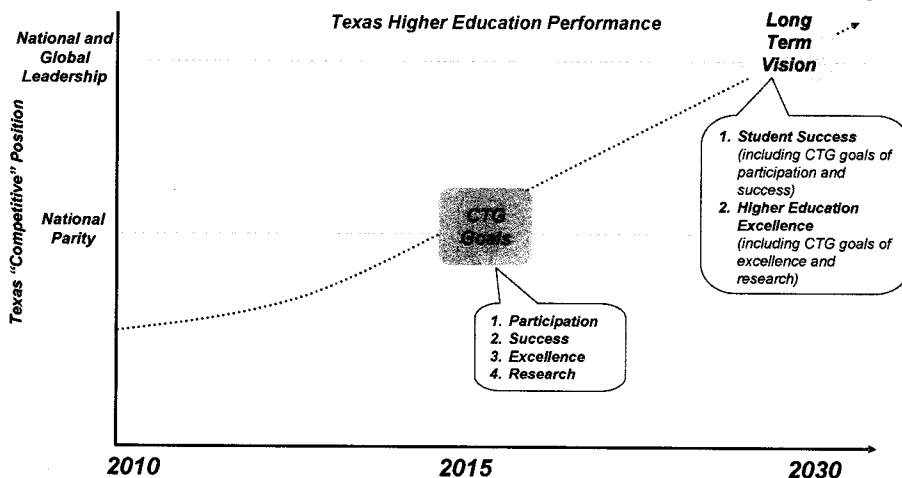
## Meeting the *Goals of Closing the Gaps by 2015* and Planning for the Future

December 16, 2011

**Fred W. Heldenfels IV**  
Chairman

**Raymund A. Paredes**  
Commissioner

### The THECB Created a Plan to Accelerate Progress Towards Closing the Gaps By 2015 and Has Drafted a Statewide Vision For 2030



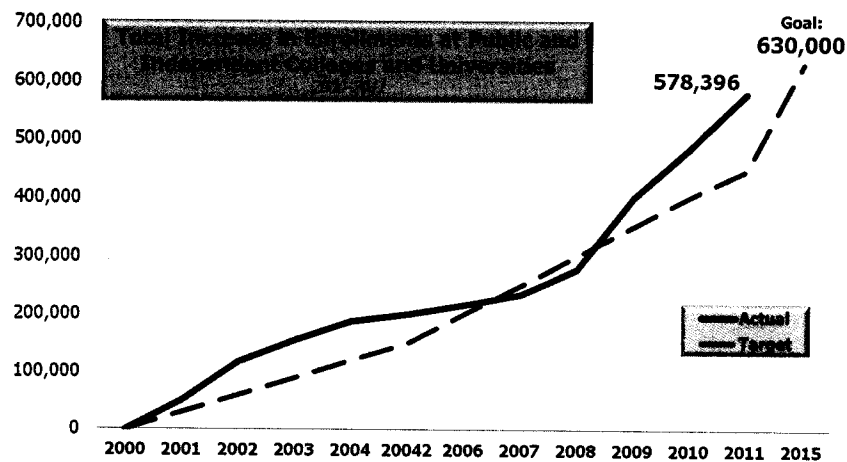
Prior to 2015, the THECB will emphasize to stakeholders that “Achieving the goals of CTG brings Texas to a place of national parity, a milestone along the path to the 2030 vision of national and international leadership”

## ***Closing the Gaps by 2015:*** A Progress Report



Page 3  
12/2011

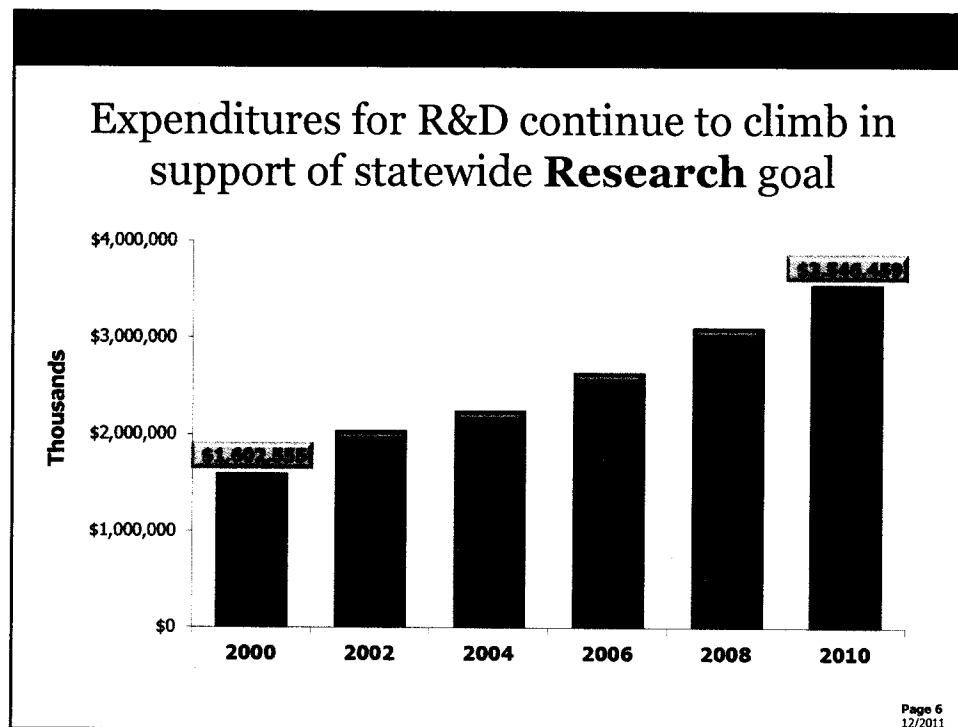
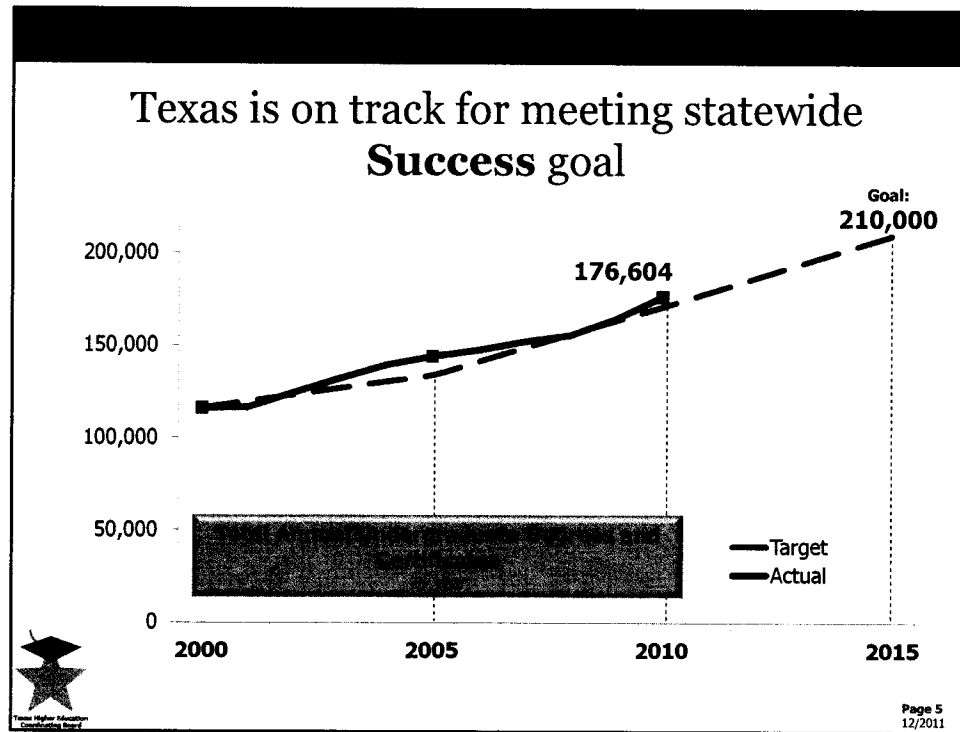
### Texas remains on track to meet statewide **Participation** goal



NOTE: 2011 reflects preliminary enrollment data

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12/2011



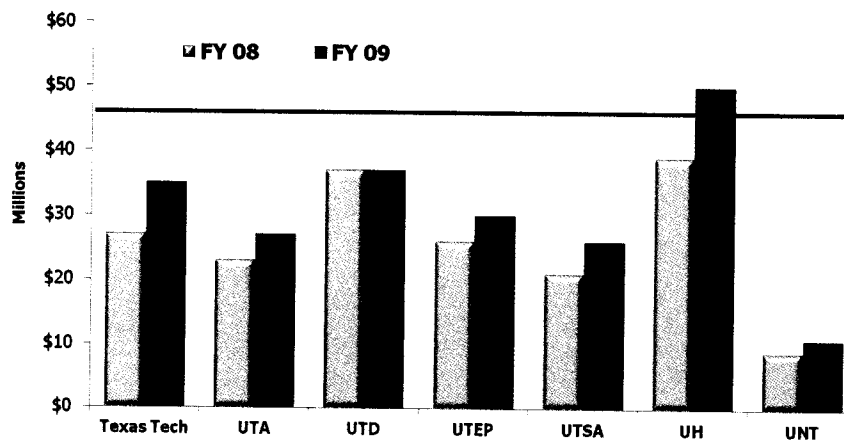


## HB 51 is helping Texas advance on Excellence goal

| NRUF Criteria   | Texas Tech | UTA | UTD | UTEP | UTSA | UH | UNT |
|---|------------|-----|-----|------|------|----|-----|
| Restricted Research   |            |     |     |      |      |    |     |
| Endowment Funds   | ✓          |     |     |      |      | ✓  |     |
| Number of Ph.Ds   |            |     |     |      |      |    |     |
| Freshman Class of High Academic Achievement                                 | ✓          | ✓   | ✓   |      |      | ✓  |     |
| Institutional Recognition of Research Capabilities and Scholarly Attainment | ✓          | ✓   | ✓   | ✓    |      | ✓  | ✓   |
| High Quality Faculty  |            |     | ✓   |      |      | ✓  |     |
| High-Quality Graduate Education   |            |     |     |      |      |    |     |

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12/2011

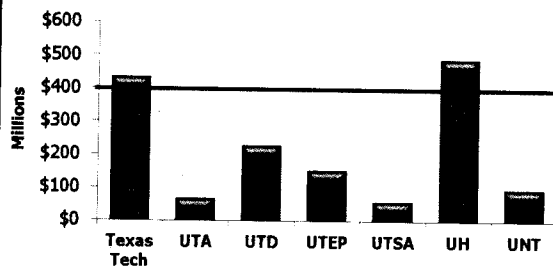
### Mandatory Criteria: Restricted Research Expenditures



Expend at least **\$45M** in restricted research funds in two consecutive FYs

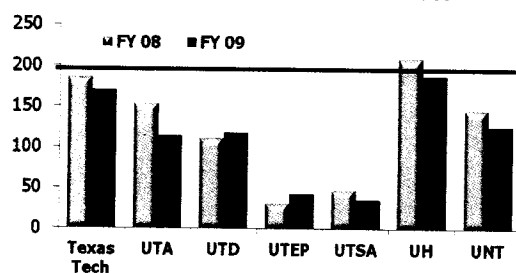
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### Optional Criteria: Endowment Funds



Value of endowment funds is at least **\$400M**

### Optional Criteria: Number of Ph.D.'s awarded



Award at least **200** Ph.D.s in two consecutive FYs

Page 6  
12/2011

The THECB has heightened its focus on four areas where Texas is well below its 2015 Target

#### Closing the Gaps Goals

Close the Gaps in Participation

Close the Gaps in Success

Close the Gaps in Excellence

Close the Gaps in Research

#### Closing the Gaps Areas Well Below Target

Participation of Hispanic Students and African American Male Students

STEM Degrees

Teachers Certificates and Effectiveness

Accelerated Plan Focus Areas

While nursing awards and research funding are also below CTG targets, these areas already have legislative support and momentum.

Hispanic enrollments have improved,  
but not fast enough



Hispanics accounted for 65%  
of the state's population  
growth since 2000.

African American enrollments are  
exceeding goals, but males lag



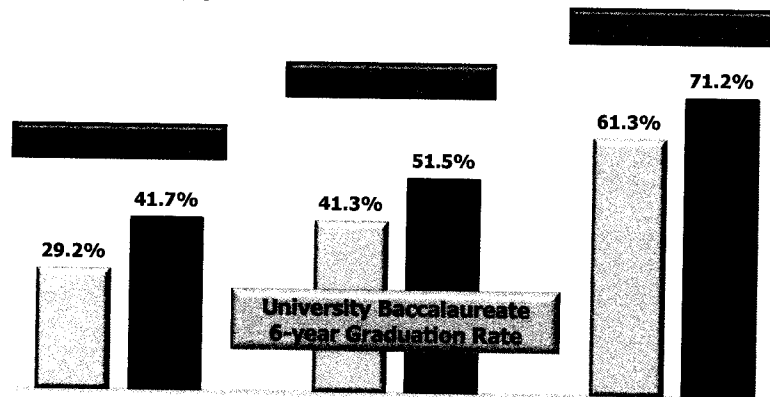
% of African American Population  
Enrolled in Higher Education

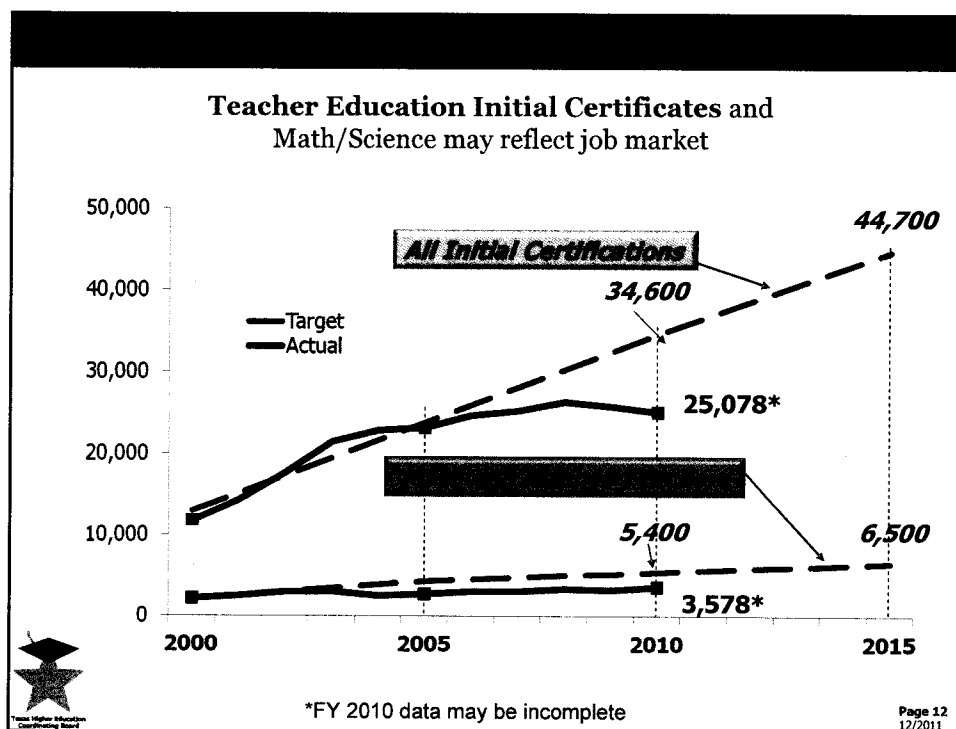
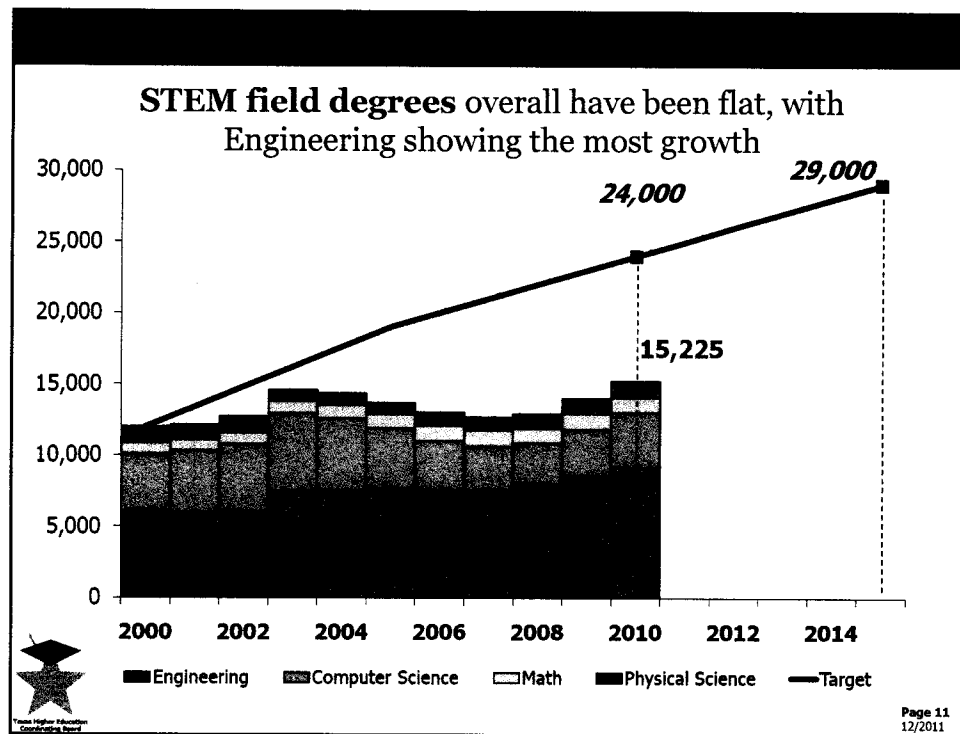
- Females: 8.1%
- Males: 5.0%
- Goal: 5.7%



Postsecondary completions for Hispanics and  
African Americans continue to trail

■ Male ■ Female





***Beyond Closing the Gaps***  
Long Term Vision for Texas Higher  
Education



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During this interim before the 83rd  
Legislative Session, we must  
explore together new strategies and  
initiatives to improve productivity,  
efficiency, and establish a policy  
framework for becoming a national  
leader and **global competitor.**



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## Reinventing Higher Education

- Institutionalize a LEAN culture and Continuous Improvement
- Implement a Statewide Comprehensive 2+2 System
- Restructure Student Financial Aid
- Reinvent Developmental Education
- Strengthen Two-Year Colleges
- Implement Outcomes-based Funding
- Review Admissions Standards
- Redefine Excellence



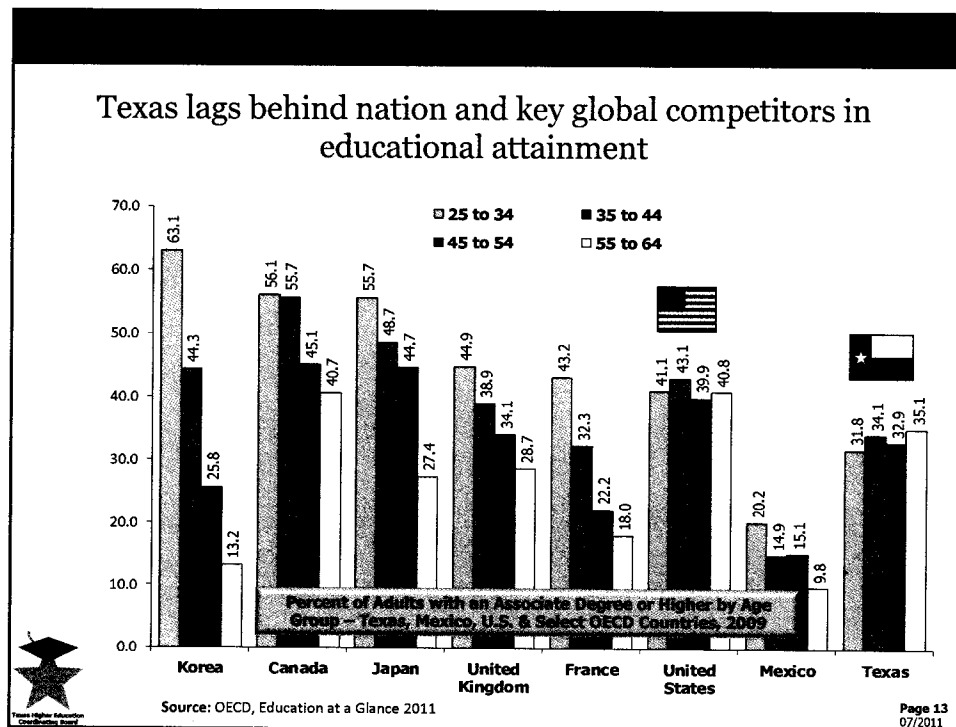
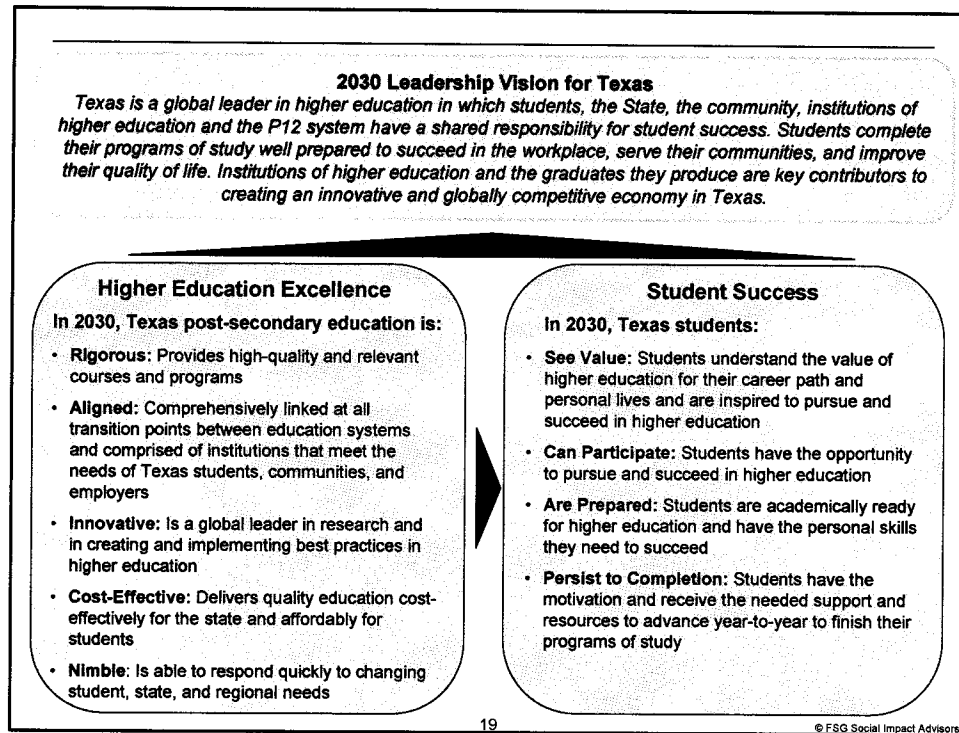
THECB 11/2011

## Council on Continuous Improvement and Innovation in Texas Higher Education

- To achieve the 2030 vision, the 14-member Council is charged with identifying metrics for Texas' **international competitiveness by 2030** and developing a **culture of continuous improvement** in Texas higher education
- Members include higher education representatives, business leaders, and other higher education leaders



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07/2011





It is imperative for Texas to improve educational attainment to remain **globally competitive**

- The U.S. college degree attainment rate **must be increased from 40 to 60%**. This equates to 10 million additional Americans ages 25-34 with an associate or baccalaureate degree (includes 8 million beyond projected growth).
  - Achieving the 2020 College Completion Goal (Obama Admin)
- To remain globally competitive, Texas will need an **additional 4.1 million associate & bachelor's degrees** by the year 2030 to reach the internationally accepted goal of 60% of the workforce with higher education attainment.
  - Texas Business Leadership Council





**Angelo State University**  
**Operating Policy and Procedure**

**OP 42.01: Admission to the College of Graduate Studies**

**ORIGIN**

**DATE:** September 1, 2007 ~~Approved by Board of Regents on August 6, 2010 (Effective Fall 2010)~~

**LAST**

**REVIEW:** Upon Approval

**PURPOSE:** The purpose of this Operating Policy/Procedure (OP) is to specify the process by which students are admitted to graduate study at Angelo State University.

**REVIEW:** This OP will be reviewed by the graduate dean in September of each odd-numbered year with recommended revisions forwarded through the Graduate Council to the provost and vice president for academic affairs by October 1. This policy may be amended only by action of the Board of Regents of the Texas Tech University System.

**POLICY/PROCEDURE**

**1. General Requirements**

Angelo State University strives to admit students to graduate study who show promise of succeeding in a rigorous academic environment. This promise is generally demonstrated through superior academic performance, as measured by undergraduate grade point average (GPA) and/or standardized test scores (i.e., GRE, or GMAT) as determined by individual program requirements. Applicants who have distinguished themselves in curricular and extracurricular undertakings, have exhibited exceptional leadership abilities, or have demonstrated special skills or talents related to the area in which they intend to pursue their studies may also be worthy of consideration for admission.

Admission as either a degree-seeking or a non-degree seeking student is granted by the dean of the College of Graduate Studies upon the recommendation of the department of proposed study. Only students who have submitted completed applications will generally be considered for admission. A completed application consists of the following:

a. Graduate Application for Admission form; with residency information;

b. ~~Residency Questionnaire;~~

e-b. Current application fee (non-refundable); current application fee (US Currency non-refundable) for international applicants;

d-c. Official Graduate Record Exam (GRE) or Official Graduate Management Admissions Test (GMAT) score for individual programs that require the GRE/GMAT as determined by the College of Graduate Studies. ~~Official Graduate Management Admission Test (GMAT) score is required if the applicant is applying to a Master of Business Administration (MBA) or Master of Professional Accountancy (MPA) program.~~ To be considered official, GRE/GMAT scores must be mailed directly to the ASU College of Graduate Studies from the Educational Testing Service.

e-d. Official transcripts from all colleges or universities attended (except Angelo State University). All college/university transcripts that are received by mail from the sending college/university are considered

“official.” All college/university transcripts that are scaled in the sending college/university envelope and hand-carried or mailed by the student are considered “official.”

~~f.e.~~ Degree-seeking students only who are applying to a program requiring an essay must submit an essay of length as determined by ~~no more than 500 or 750 words dependent on the program~~. Specific essay requirements can be found on the College of Graduate Studies homepage, under the Essay link. ~~(typed in 12 point type with one inch margins). The essay should describe the applicant's educational plans, career objectives, commitment to the particular field of study, any research experience, the applicant's view of research and possible research interests, and personal goals. The essay may also address any of the following factors which are qualities that will be acknowledged in the admission process:~~

- ~~• socioeconomic history~~
- ~~• family background (including level of educational attainment)~~
- ~~• personal talents, leadership capabilities, community service~~

~~f.~~ Transcripts must include certification of a completed baccalaureate or higher degree from a college or university with substantially similar degree requirements as those of Angelo State University. International students, and applicants for whom English is not their first language, must also include official scores from the Test of English as a Foreign Language (TOEFL) or the International English Language Testing System (IELTS) taken within the last two years, and the international student application forms. The minimum TOEFL score is 550, with at least ~~55 on each of the three parts (paper-based exam and pencil test)~~, 213, with at least 17 on each of the three parts (computer-based exam test), or 79 ~~80~~, with at least 20 on each of the four parts of the TOEFL Internet-Based Test (iBT). Physical Therapy, however, requires a 600 (paper and pencil test) or 250 (computer-based test). A score of 7 is required on the Academic Module of the IELTS.

## 2. Admission to the College of Graduate Studies as Degree-Seeking Student

The process for determining admission as a degree-seeking student is as follows:

- a. The completed application is sent to the department of proposed study for an admission recommendation. The department looks at the following factors:
  - Completion of the undergraduate prerequisites for the intended program, as indicated below.
  - The applicant's previous academic record, which may include overall GPA, last 60 hour GPA, GPA in the major or in the prerequisite courses, and/or GPA in any relevant graduate work. GPAs are computed on all course work taken, including all grades on repeated courses.
  - The applicant's GRE/GMAT test score, if required for the program.
  - The essay, if required for the program.
  - Other criteria, as defined by the program.
- b. Applicants who submit a satisfactory essay, if required for the program, have at least a 2.50 overall undergraduate GPA or 3.00 in the last 60 semester hours, and who meet the program's formula ~~if applicable~~, (and in some programs, additional criteria) ~~as indicated below~~ will generally be awarded regular admission, resources permitting. Applicants who fall slightly below the formula or GPA standards may be considered for provisional admission. If the department of proposed study deems the applicant shows promise of succeeding in the program, provisional admission, with conditions, may be granted.
- c. Applicants who have not completed all prerequisites may be required to complete them before being considered for admission. In some programs, applicants may be admitted if they lack some prerequisites, but will be required to make up these undergraduate courses (leveling work) within the first year of their graduate enrollment.

- d. Students who have not submitted GRE/GMAT scores to programs that require standardized tests but who have an undergraduate GPA of 3.00 or better (4-point scale) in the total undergraduate record, including all grades on repeated courses, may be granted provisional admission to programs that require standardized tests, with the approval of the graduate faculty in the applicant's major department and the graduate dean. These applicants must provide satisfactory GRE/GMAT scores before the end of their first semester of enrollment. Provisional admission does not guarantee regular admission. When the test score is received, the student's application file will be reviewed by the applicant's major department for an admission decision recommendation. Students who do not satisfy the grade point criteria listed above and have not submitted GRE/GMAT scores to programs that require standardized tests will not be considered for admission until the appropriate test scores are received by the College of Graduate Studies.
- e. Applicants who are given provisional admission will be on academic probation, with the requirement that they maintain at least a 3.00 cumulative grade point average in all graduate-level work until they have completed at least nine semester hours of graduate-level work in a degree program at Angelo State University. Failure to maintain the requisite 3.00 may result in dismissal from the graduate program in which the student has been studying.
- f. Offer of Admission: Only written notice from the dean of the College of Graduate Studies constitutes approval of admission.
- g. Graduate students who do not attend classes for one year must re-apply for admission.

[REVISED: 12-6-11]

# **Recommendations of the Regents Rules Review Committee**

## Summary of recommendations of the Regents Rules Review Committee

[as of: 11-29-11]

### CHAPTER 03 (PERSONNEL) – CONFLICT OF INTEREST POLICIES

Due to legislation passed by the 2011 Texas Legislature, fine-tuning is needed for the conflict of interest policy that applies to Board members (Sec. 03.03, *Regents' Rules*).

To maintain consistency in our conflict of interest policies, the same type of changes also need to be made to the conflict of interest policy that applies to executive administration (Sec. 03.04, *Regents' Rules*).

### CHAPTER 07 (FISCAL MANAGEMENT)

1. **TTUHSC FACULTY EMPLOYMENT CONTRACTS:** A clarifying change is needed to the policy that governs approval of employment contracts. Sec. 07.12.2.e, *Regents' Rules*, previously was amended to require Board approval of all employment contracts unless a special exception is provided. A special exception that was in place and remained unchanged allows the TTUHSC President to approve faculty employment contracts in excess of 4 years.

The problem is that, under the current provisions, we end up with the TTUHSC President having the authority to approve faculty contracts that exceed 4 years, but Board would have to approve TTUHSC faculty contracts of 4 years or less.

The proposed solution to this unintended consequence is to provide that, for:

- contracts of 4 years or less: delegate to the TTUHSC President the authority to approve such contracts; and
- contracts of more than 4 years, require: approval by the TTUHSC President ... prior approval by the Chancellor ... and prior notification to the Board.

2. **LOCATION OF VENDING MACHINES:** Sec. 07.12.2.f, *Regents' Rules*, governs the approval of contracts for vending machines. State law requires Board approval of contracts involving the initial placement of vending machines on state property, which is what the *Regents' Rules* currently provide.

However, the following circumstances can and do arise: • an initial vending machine contract approved by the Board does not address the specific placement of the vending machines ... • additional vending machines need to be placed during the term of a vending machine contract ... • vending machines need to be relocated during the term of a vending machine contract.

The proposed solution is to delegate to the Presidents the authority to determine the placement of vending machines, while the Board retains its authority to approve initial contracts for vending machines.

### CHAPTER 08 (FACILITIES) – FACILITY NAMING POLICY

Institutional Advancement has proposed changes to the policies that govern the naming of facilities. The proposed amendments: (1) clarify existing policies and procedures for such namings; and (2) add new restrictions that govern the naming of facilities.

### INVESTMENT POLICY STATEMENT FOR THE L.T.I.F. – CONFLICT OF INTEREST POLICY

Due to legislation passed by the 2011 Texas Legislature, fine-tuning is needed for the conflict of interest policy in the investment policy statement for the Long Term Investment Fund. (Note: This is related to the proposed changes to the conflict of interest policies in Chapter 03 as noted above.)

## **Chapter 03 – Personnel**

# **Conflict of Interest Policies**

## Chapter 03 – Personnel

### **Proposed revisions to the conflict of interest policy for Board members and executive administration**

In 2011, the Texas Legislature adopted amendments to Sec. 51.923, *Texas Education Code*, [herein "*Ed Code* 51.923"] which governs "Qualifications of certain business entities to enter into contracts with an institution of higher education." (see a copy of the new *Ed Code* 51.923 after p. 14 of this document)

As a result, the *Regents' Rules* conflict of interest policy that applies to Board members needs to be brought in line with the changes to *Ed Code* 51.923. The proposed changes to the conflict of interest policy for Board members is in Sec. 03.03, *Regents' Rules* (see p. 1-8 of this document).

Although *Ed Code* 51.923 applies only to Board members, corresponding changes are needed for the executive administrator conflict of interest policy in Sec. 03.04, *Regents' Rules* (see p. 8-14 of this document) so that the Board and executive administration conflict of interest policies in the *Regents' Rules* will be consistent.

#### **03.03 Conflict of interest and the board.**

##### **03.03.1 Introduction.**

- a. The statement of policy in this section applies to each member of the board and shall serve as a guide for board members in fulfilling their position of significant responsibility. Members of the board serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this duty and the provisions of Chapter 572, *Texas Government Code*, and in particular with the standards of conduct set out in Section 572.051 of that chapter. All decisions of the board are to be made solely on the basis of the desire to promote the best interests of the TTU system and the public good. The integrity of the TTU system must be protected and advanced at all times.
- b. Men and women of substance, such as those who serve on the board, commonly have a wide range of professional and personal associations with interests and involvement in other entities, institutions, and organizations. To assure the TTU system's many constituents of the integrity of its endeavors, board members should avoid situations in which such associations, interests or involvement could compromise or reasonably appear to compromise important academic values



**PROPOSED ... 11-29-11**

or the business decisions of the TTU system. Accordingly, it is the policy of TTU system that board members shall act in a manner consistent with their responsibilities to the TTU system and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or apparent conflict of interest or impair the reputation of the TTU system.

- c. No policy statement can specifically address every conceivable situation that might entail a conflict of interest. However, as a general principle, board members should avoid any actions or situations that might result in or create the appearance of using their association with the TTU system for private gain, according unwarranted preferential treatment to any outside individual or organization, losing independence or impartiality, or adversely affecting the reputation of or public confidence in the integrity of the TTU system. Toward this end, it is the responsibility of each board member to ensure that the board is made aware of situations that involve personal, familial, or business relationships that could jeopardize the reputation of or public confidence in the TTU system. The board requires each board member to annually:
  - (1) review this policy;
  - (2) disclose all business entities in which a board member, or a board member's family member, has a financial interest; and
  - (3) acknowledge by his or her signature that he or she is in compliance with the letter and spirit of this policy.

- d. For the purposes of Sec. 03.03, Regents' Rules, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust.

**[NOTE: This definition of "business entity" aligns with the new Ed Code 51.923(a)(1). And throughout Sec. 03.03, references to "outside entity" are changed to "business entity."]**

**PROPOSED ... 11-29-11**

03.03.2 Conflict of interest. A conflict of interest arises when the TTU system has or is considering a transaction or other business relationship with a board member or a board member's family member (defined to include a spouse and the dependent relatives or household members). For this reason, any transaction or other business relationship between the TTU system and a board member or board member's family member is prohibited.

03.03.3 Presumed conflict of interest.

- a. A conflict of interest is presumed to arise when the TTU system has or is considering a transaction or other business relationship with ~~[an outside]~~ a business entity in which the board member or the board member's family member has a ~~[material]~~ substantial financial interest. A financial interest is presumed to be ~~[material]~~ substantial if it entails:

**[NOTE: Ed Code 51.923 uses the term "substantial" rather than "material." So throughout Sec. 03.03, references to "material" interest are changed to "substantial" interest.]**

- (1) Any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than \$10,000, except equity in a ~~[publicly traded]~~ company amounting to less than 10% ownership interest in the company;

**[NOTE: Neither the definition of "business entity" in Ed Code 51.923 (a)(1) nor the criteria for a "substantial interest" in Ed Code 51.923 (e)(1) make an exception for a "publicly traded" company.]**

**PROPOSED ... 11-29-11**

- (2) Receipt of [~~non-dividend compensation (including salary, consulting fees, royalty payments, or other remuneration)~~] of more than \$10,000 in any 12 month period in the past three years] funds from the business entity that exceed 10 percent of the board member's gross income for the previous year, or the expectation of the receipt of such [compensation] funds in the future;

**[NOTE: Among the criteria for what constitutes a substantial interest in a business entity, Ed Code 51.923 (e)(2) simply states that a board member has a substantial interest in a business entity if any type of funds received by the board member from the business entity exceeds 10% of the board member's gross income for the previous year.]**

- (3) Any ownership interest in real property, personal property, intellectual property or any other interest valued at \$10,000 or more;
- (4) A position of real or apparent authority in [~~an outside~~] a business entity such as director, officer, trustee, partner, agent, controlling share holder, share holder with [~~more than~~] a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in [~~more than~~] 10% or more of the profits, proceeds or capital gains of the entity involved; or

**[NOTE: The proposed changes in the percentage interests above (i.e., "more than 10%" changed to "10% or more") track Ed Code 51.923 (e)(1).]**

- (5) Any position as an employee of the entity involved.

**PROPOSED ... 11-29-11**

- b. A board member is not deemed to have a [~~material~~] substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund, of which the board member does not control investment decisions.

03.03.4 Disclosure of financial interest.

- a. A board member or a board member's family member who has a known [~~material~~] substantial financial interest in a pending or a proposed transaction or business arrangement involving the TTU system shall promptly disclose to the board the existence of the interest and other material information that the board member may have regarding the transaction or arrangement.
- b. Each board member annually shall execute and submit to the chief financial officer a statement disclosing all business entities in which the board member has a financial interest. This disclosure will be achieved by the board member submitting to the Office of the Board of Regents, no later than June 1 of each year, a copy of the board member's Personal Financial Statement that is required to be submitted to the Texas Ethics Commission. This disclosure shall be updated throughout the year by board members if a board member acquires or divests a [~~material~~] substantial financial interest in any entity.

03.03.5 Determination of the existence of a conflict of interest.

- a. If a board member is aware of a conflict of interest, the board member shall inform the board during a meeting of the board conducted in accordance with the Texas Open Meetings Act and abstain from any participation in the transaction or matter in which the conflict exists.

**[NOTE: These proposed changes track the provisions of Ed Code 51.923(d).]**

**PROPOSED ... 11-29-11**

- b. The chief financial officer shall review board members' annual disclosure statements to determine whether a [~~material~~] substantial financial interest has been disclosed in any business entity in which the TTU system is considering entering into a transaction or business relationship. The chief financial officer also shall monitor the agendas of board meetings to determine if a conflict arises subsequent to the board members' annual disclosures and shall advise board members if a conflict develops. If a [~~material~~] substantial financial interest has been disclosed in which a board member has not previously notified the board of a conflict of interest, the chief financial officer shall promptly submit to the Audit Committee chair, or if the interest involves the Audit Committee chair, another member of the Audit Committee, such disclosure forms together with any additional information about the current or proposed transaction or business relationship that may give rise to a conflict of interest that the chief financial officer, in consultation with the Audit Committee, believes may be informative.
  - c. The Audit Committee shall review the matter and determine whether a conflict of interest exists. If the interests being reviewed involve a member of the Audit Committee, the member shall not participate in or be present during the committee's consideration of the matter, except as requested by the committee to answer questions or provide information. The Audit Committee may review such information as it deems pertinent, including posing questions to the board member involved. If the Audit Committee determines that a conflict of interest exists, the Audit Committee shall so advise the board member involved and the board, and the board member involved shall abstain from any discussion or participation on the matter in which there is a conflict.
- 03.03.6 Record of proceedings. When the board conducts a meeting in which a board member's financial interest in a matter is disclosed, a determination regarding an existence of a conflict of interest is made, or a transaction or arrangement with respect to a board member who has a conflict of interest is considered, the board's consideration of these issues shall be reflected in the minutes of the board meeting.

**PROPOSED ... 11-29-11**

- 03.03.7 Gifts. Board members shall not accept, solicit, or encourage gifts, favors, benefits, gratuities, services, or other items of value for themselves or family members which the board member knows or should know is offered with the intent to influence the board member's conduct or which might reasonably:
- a. affect the exercise of the board member's judgment on behalf of the TTU system;
  - b. tend to influence the board member in the discharge of the board member's duties;
  - c. tend to impair confidence in the TTU system; or
  - d. create the appearance of impropriety.
- 03.03.8 Use of office for personal gain. Board members shall not use the authority, title, prestige or other attribute of the office for personal benefit or gain for themselves or for any relative. Board members specifically are prohibited from procuring or being a party in any way to procuring the appointment of a relative to a position of trust or profit connected with the TTU system.
- 03.03.9 Favored treatment. Board members shall not use the authority, title, prestige or other attribute of the office to obtain consideration, treatment, or favor for any person beyond that which is generally available. This subsection applies, but is not limited to, efforts to influence administrative decisions with respect to an individual's admission, employment, discipline, and similar matters. However, this subsection does not prohibit letters of recommendation or requests for information about the status of an individual's admission, employment, discipline, and similar matters.
- 03.03.10 Appropriation of TTU system opportunities. If a board member becomes aware of a business, investment, or other financially valuable opportunity that rightfully belongs to the TTU system and not to the board member individually or another entity with which the board member is affiliated, the board member shall bring the opportunity to the attention of the board.
- 03.03.11 Confidentiality. Board members may not use confidential information acquired as a result of service to the TTU system for any purpose unrelated to TTU system business, or provide such information to any third party, without the consent of the board.

**PROPOSED ... 11-29-11**

Wrongful use of TTU system information includes, but is not limited to, use or disclosure of information to engage, invest, or otherwise participate in any business, project, venture, or transaction other than through the TTU system.

- 03.03.12 Actions not void or voidable. Except as otherwise provided by law, no transaction or action undertaken by the TTU system shall be void or voidable, or may be challenged as such by an outside party, by reason of having been undertaken in violation of Section 03.03, *Regents' Rules*, or the principles set forth therein.

**03.04 Conflict of interest and executive administration.**

**03.04.1 Introduction.**

- a. The statement of policy in this section applies to each member of executive administration ("executive administrators") of: the TTUSA (including the chancellor, chief financial officer, vice chancellor and general counsel, vice chancellors, and any other TTUSA administration officers as designated by the chancellor); and the component institutions of the TTU system (including presidents, provosts, vice presidents, vice provosts, deans of schools and colleges, and other component institution officers as designated by the president of the institution that employs the executive administrator). This policy statement shall serve as a guide for executive administrators in fulfilling their positions of significant responsibility. Executive administrators serve the public trust and have a clear obligation to fulfill their responsibilities in a manner consistent with this duty and the provisions of Chapter 572, *Texas Government Code*, and in particular with the standards of conduct set out in Section 572.051 of that chapter. All decisions of executive administrators are to be made solely on the basis of the desire to promote the best interests of the TTU system and the public good. The integrity of the TTU system must be protected and advanced at all times.
- b. Men and women of substance, such as those who serve as executive administrators, commonly have a wide range of professional and personal associations with interests and involvement in other entities, institutions, and organizations. To assure the TTU system's many constituents of the integrity of its endeavors, executive administrators should avoid

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situations in which such associations, interests or involvement could compromise or reasonably appear to compromise important academic values or the business decisions of the TTU system. Accordingly, it is the policy of TTU system that executive administrators shall act in a manner consistent with their responsibilities to the TTU system and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or apparent conflict of interest or impair the reputation of the TTU system.

- c. No policy statement can specifically address every conceivable situation that might entail a conflict of interest. However, as a general principle, executive administrators should avoid any actions or situations that might result in or create the appearance of using their association with the TTU system for private gain, according unwarranted preferential treatment to any outside individual or organization, losing independence or impartiality, or adversely affecting the reputation of or public confidence in the integrity of the TTU system. Toward this end, it is the responsibility of each executive administrator to ensure that the TTUSA and, if applicable, the component entity that employs the executive administrator are made aware of situations that involve personal, familial, or business relationships that could jeopardize the reputation of or public confidence in the TTU system. The TTU system requires each executive administrator to annually:

- (1) review this policy;
- (2) disclose all business entities in which an executive administrator, or an executive administrator's family member (defined throughout this section to include a spouse and dependent relatives or household members), has a financial interest; and
- (3) acknowledge by his or her signature that he or she is in compliance with the letter and spirit of this policy.

- d. For the purposes of Sec. 03.04, Regents' Rules, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership,



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firm, corporation, limited liability company, holding company,  
joint stock company, receivership, or trust.

**[NOTE: This definition of "business entity" aligns with a similar change made in Sec. 03.03. Throughout Sec. 03.04, references to "outside entity" are changed to "business entity."]**

03.04.2 Conflict of interest. A conflict of interest arises when the TTU system has or is considering a transaction or other business relationship with an executive administrator or an executive administrator's family member. For this reason, any transaction or other business relationship between the TTU system and an executive administrator or an executive administrator's family member is prohibited.

03.04.3 Presumed conflict of interest.

- a. A conflict of interest is presumed to arise when the TTU system has or is considering a transaction or other business relationship with an executive administrator or an executive administrator's family member, or with ~~[an outside]~~ a business entity in which the executive administrator or executive administrator's family member has a ~~[material]~~ substantial financial interest. A financial interest is presumed to be ~~[material]~~ substantial if it entails:

**[NOTE: Sec. 03.03 uses the term "substantial" rather than "material," so throughout Sec. 03.04, references to "material" interest are changed to "substantial" interest.]**

- (1) Any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than \$10,000, except equity in a ~~[publicly traded]~~ company amounting to less than 10% ownership interest in the company;

**[NOTE: This change is consistent with a change made in Sec. 03.03.]**

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- (2) Receipt of [~~non-dividend compensation (including salary, consulting fees, royalty payments, or other remuneration)~~] of more than \$10,000 in any 12 month period in the past three years] funds from the business entity that exceed 10 percent of the executive administrator's gross income for the previous year, or the expectation of the receipt of such [compensation] funds in the future;

**[NOTE: This change is consistent with a change made in Sec. 03.03.]**

- (3) Any ownership interest in real property, personal property, intellectual property or any other interest valued at \$10,000 or more;
- (4) A position of real or apparent authority in [~~an outside~~] a business entity such as director, officer, trustee, partner, agent, controlling share holder, or share holder with [~~more than~~] a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in [~~more than~~] 10% or more of the profits, proceeds or capital gains of the entity involved; or

**[NOTE: This change is consistent with a change made in Sec. 03.03.]**

- (5) Any position as an employee of the entity involved.
- b. An executive administrator is not deemed to have a [~~material~~] substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly

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traded entity, such as through a mutual fund, of which the executive administrator does not control investment decisions.

03.04.4 Disclosure of financial interest.

- a. An executive administrator or an executive administrator's family member who has a known [~~material~~] substantial financial interest in a pending or a proposed transaction or business arrangement involving the TTU system shall promptly disclose to the TTUSA and, if applicable, the component entity that employs the executive administrator the existence of the interest and other material information that the executive administrator may have regarding the transaction or arrangement.
- b. Each executive administrator annually shall execute and submit to the chief financial officer a statement disclosing all business entities in which the executive administrator has a financial interest. This disclosure will be achieved by the executive administrator submitting to the chief financial officer, by no later than June 1 of each year, a disclosure statement provided by the chief financial officer or, if the executive administrator is required under Chapter 572, *Texas Government Code*, to file a Personal Financial Statement with the Texas Ethics Commission, a copy of the executive administrator's Personal Financial Statement. The chief financial officer annually shall submit his or her disclosure statement to the chair of the board's Finance and Administration Committee. This disclosure shall be updated throughout the year by executive administrators if an executive administrator acquires or divests a [~~material~~] substantial financial interest in any entity.

03.04.5 Determination of the existence of a conflict of interest. If an executive administrator is aware of a conflict of interest, the executive administrator shall inform the TTUSA and, if applicable, the component entity that employs the executive administrator, and abstain from any participation in the transaction or matter in which the conflict exists. In matters involving a presumed conflict of interest for which the executive administrator does not believe an actual conflict of interest exists, the chief financial officer, in consultation with the vice chancellor and general counsel, shall

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make the determination of whether there is an actual conflict of interest. However, if the presumed conflict of interest involves the chancellor, a president, the chief financial officer, the vice chancellor and general counsel, or a family member thereof, the chair of the Audit Committee shall make the determination.

- 03.04.6 Gifts. Executive administrators shall not accept, solicit, or encourage gifts, favors, benefits, gratuities, services, or other items of value for themselves or family members from any individual or entity that, to the executive administrator's knowledge, has or seeks to have a business relationship with the TTU system and for which the executive administrator knows or should know is offered with the intent to influence the executive administrator's conduct or which might reasonably:
- a. affect the exercise of the executive administrator's judgment on behalf of the TTU system;
  - b. tend to influence the executive administrator in the discharge of the executive administrator's duties;
  - c. tend to impair confidence in the TTU system; or
  - d. create the appearance of impropriety.
- 03.04.7 Use of office for personal gain. Executive administrators shall not use the authority, title, prestige or other attribute of his or her office or position for personal benefit or gain for themselves or for any relative. Executive administrators specifically are prohibited from procuring or being a party in any way to procuring the appointment of a relative to a position of trust or profit connected with the TTU system.
- 03.04.8 Favored treatment. An executive administrator shall not use the authority, title, prestige or other attribute of his or her office or position to obtain consideration, treatment, or favor for any person beyond that which is generally available. This subsection applies, but is not limited to, efforts to influence administrative decisions with respect to an individual's admission, employment, discipline, and similar matters. However, this subsection does not prohibit letters of recommendation or requests for information about the

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status of an individual's admission, employment, discipline, and similar matters.

- 03.04.9 Appropriation of TTU system opportunities. If an executive administrator becomes aware of a business, investment, or other financially valuable opportunity that rightfully belongs to the TTU system and not to the executive administrator individually or another entity with which the executive administrator is affiliated, the executive administrator shall bring the opportunity to the attention of the TTUSA and, if applicable, the component entity that employs the executive administrator.
- 03.04.10 Confidentiality. Executive administrators may not use confidential information acquired as a result of service to the TTU system for any purpose unrelated to TTU system business, or provide such information to any third party, without the consent of the TTUSA and, if applicable, the component entity that employs the executive administrator. Wrongful use of TTU system information includes, but is not limited to, use or disclosure of information to engage, invest, or otherwise participate in any business, project, venture, or transaction other than through the TTU system.
- 03.04.11 Actions not void or voidable. Except as otherwise provided by law, no transaction or action undertaken by the TTU system shall be void or voidable, or may be challenged as such by an outside party, by reason of having been undertaken in violation of Section 03.04, *Regents' Rules*, or the principles set forth therein.

## From S.B. 5 – 2011 Texas Legislature

### ARTICLE 2. GOODS AND SERVICES

SECTION 2.01. Section 51.923, Education Code, is amended to read as follows:

Sec. 51.923. QUALIFICATIONS OF CERTAIN BUSINESS ENTITIES TO ENTER INTO CONTRACTS WITH AN INSTITUTION OF HIGHER EDUCATION.

(a) In this section:

- (1) "Business entity" ["Corporation"] means any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust [a corporation for profit organized under the laws of this state or under laws other than the laws of this state].
- (2) "Governing board" has the meaning assigned by Section 61.003 [~~of this code~~].
- (3) "Institution of higher education" has the meaning assigned by Section 61.003 [~~of this code~~].
- (4) "Nonprofit corporation" means any organization exempt from federal income tax under Section 501 of the Internal Revenue Code of 1986 that does not distribute any part of its income to any member, director, or officer.

(b) A nonprofit corporation is not disqualified from entering into a contract or other transaction with an institution of higher education even though one or more members of the governing board of the institution of higher education also serves as a member, [~~or~~] director, officer, or employee of the nonprofit corporation.

- (c) A business entity ~~[corporation]~~ is not disqualified from entering into a contract or other transaction with an institution of higher education even though one or more members of the governing board of the institution of higher education have an interest in the business entity, subject to Subsection (d) ~~[also serves as a stockholder or director of the corporation provided that no member of the governing board owns or has a beneficial interest in more than five percent of the corporation's outstanding capital stock and further provided that the contract or transaction is:~~

~~[(1) an affiliation, licensing, or sponsored research agreement; or~~

~~[(2) awarded by competitive bidding or competitive sealed proposals].~~

- (d) An institution of higher education is not prohibited from entering into a contract or other transaction with a business entity in which a member of the governing board of the institution of higher education has an interest if the interest is not a substantial interest or, if the interest is a substantial interest, the ~~[described in this section if any]~~ board member ~~[having an interest described in this section in the contract or transaction]~~ discloses that interest in a meeting held in compliance with Chapter 551, Government Code, and refrains from voting on the contract or transaction requiring board approval. Any such contract or transaction requiring board approval must be approved by an affirmative majority of the board members voting on the contract or transaction.

- (e) For purposes of this section, a member of a governing board has a substantial interest in a business entity if:
- (1) the member owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity;
  - (2) funds received by the member from the business entity exceed 10 percent of the member's gross income for the previous year;
  - (3) the member is an officer of the business entity or a member of the governing board of the business entity; or
  - (4) an individual related to the member in the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code, has an interest in the business entity as described by Subdivision (1), (2), or (3).
- (f) A violation of this section does not render an action of the governing board voidable unless the contract or transaction that was the subject of the action would not have been approved by the governing board without the vote of the member who violated this section.



## **Chapter 07 – Fiscal Management**

# **TTUHSC Faculty Employment Agreements**

PROPOSED ... 11-29-11

## Chapter 07 – Fiscal Management

### Proposed revisions to clarify the policy on approval of TTUHSC faculty employment agreements

A clarifying change is needed for Sec. 07.12.2.e, *Regents' Rules* – the policy that governs the approval of employment agreements.

Under amendments to this provision adopted in December 2009 and again in May 2011, the Board currently must approve all employment contracts unless a special exception is provided.

One of the special exceptions that was in place and remained unchanged allows the TTUHSC President to approve faculty employment contracts that have a term in excess of 4 years.

So while the TTUHSC President has the authority to approve faculty employment contracts that have a term in excess of 4 years, TTUHSC faculty contracts of 4 years or less would have to be approved by the Board.

The proposed amendment to Sec. 07.12.2.e(c) on the next page would resolve this inconsistency by:

- (1) delegating to the President the authority to approve TTUHSC faculty employment agreements of 4 years or less; and
- (2) requiring TTUHSC faculty employment contracts of more than 4 years to be approved by the President ... have the prior approval of the Chancellor ... with prior notification to the Board.

For such a contract that exceeds 4 years, the approval process would be the same as for the appointment of a dean, vice president, athletic director, or a head coach.

#### 07.12 Contracting policies and procedures.

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##### 07.12.2 Board approval.

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- e. Contracts involving a sale or lease of land, a commitment of funds or other resources for more than four years, and employment agreements.
  - (1) Upon recommendation of the chancellor, board approval is required for the following contracts or agreements:

**PROPOSED ... 11-29-11**

- (a) contracts that involve: a sale of land, or a lease of land for more than four years;
  - (b) contracts that involve a commitment of funds or other resources for more than four years; and
  - (c) all employment contracts, including but not limited to letters of agreement and memoranda of understanding.
- (2) The following are exempted from the provisions of Section 07.12.2.e(1), *Regents' Rules*:
- (a) Multi-year employment contracts and employment contract modifications and extensions that are governed by the provisions of Sections 02.03.1 and 02.03.2, *Regents' Rules*.
  - (b) Employment contracts and employment contract modifications and extensions for assistant coaches of intercollegiate athletics programs if: the total compensation (including cash and non-cash considerations) over the entire term of the contract is \$1,000,000 or less; and the term of the contract does not exceed three (3) years. Such contracts, modifications, and extensions shall have the recommendation of the director of intercollegiate athletics and receive the final approval of the president, with prior notification to the chancellor.
  - (c) TTUHSC faculty employment contracts [~~in excess of four years~~]. Such contracts of four years or less shall receive the final approval of the president. Such contracts in excess of four years shall be approved by the president, with prior approval of the chancellor and prior notification to the board.
  - (d) Contracts other than employment contracts that may be terminated without cause with notice of 120 days or less.

## **Chapter 07 – Fiscal Management**

### **Location of Vending Machines**

## Chapter 07 – Fiscal Management

### Proposed revisions to clarify the policy on approval of vending machine locations

State law requires Board approval of contracts involving the initial placement of vending machines on state property, which is what the Sec. 07.12.2.f, *Regents' Rules*, currently provides.

However, the following circumstances can and do arise:

- An initial vending machine contract approved by the Board does not address the specific placement of the vending machines.
- Additional vending machines need to be placed during the term of a vending machine contract.
- Vending machines need to be relocated during the term of a vending machine contract.

To avoid the Board having to approve the specific placement of vending machines, it is recommended that the Presidents be delegated the authority to determine the location of vending machines, while the Board retains its authority to approve initial contracts for vending machines.

#### 07.12 Contracting policies and procedures.

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##### 07.12.2 Board approval.

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- f. Upon recommendation of the chancellor, board approval is required for contracts involving the initial placement of vending machines, games, or any other coin operated food, refreshment and amusement devices placed in service in any facility owned, operated, or controlled by the TTU system. The president, or the president's designee, is delegated the authority to determine and approve the location of vending machines, games, or other coin operated food, refreshment and amusement devices placed in all buildings and property under the charge and control of the president's institution.

[REVISED: 12-6-11]

## **Chapter 08 – Facilities**

# **Policy on Naming of Facilities**

**PROPOSED / REVISED ... 12-6-11**

## **Chapter 08 – Facilities**

### **Proposed revisions to clarify the policy on naming of facilities**

Institutional Advancement noted that improvements could be made to the policy that governs the naming of facilities.

Accordingly, it is recommended that the following amendments to Sec. 08.05, *Regents' Rules*, be made in order to clarify existing policies and procedures for such namings and to add new restrictions on the naming of facilities.

#### **08.05 TTU system buildings and facilities naming**

- 08.05.1 General. The board, upon the recommendation of the president and the chancellor, shall approve the naming of all buildings, auditoriums, rooms, laboratories, streets, athletic fields, landscape features, and other facilities within the TTU system.
- a. An individual, foundation, or corporation ~~[wishing]~~ providing funding to build new facilities, to renovate or expand [the] existing facilities, or to provide an endowment for the support of a facility or facility-based program of the TTU system may have an area named after the donor provided 50% of the cost of the designated area and/or equipment therein is ~~[provided]~~ contributed by the donor. For new construction, renovation or expansion, the 50% threshold applies to estimated construction costs incurred, as verified by the vice chancellor for facilities planning and construction. To name an existing facility, the 50% threshold applies to the estimated replacement cost of construction of the facility to be named, as verified by the vice chancellor for facilities planning and construction.

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- b. Academic buildings shall be named on the basis of the major academic use of the building. All new buildings should be named, wherever practicable, by the time the board approves the project.
- c. Residence halls may be named for a person, provided the individual is not a faculty member, administrator, or other employee or state officer who is actively [connected] affiliated with the TTU system at the time the building is named.
- d. Subunits of buildings (auditoriums, offices, reading rooms, libraries, conference rooms, laboratories, and so forth) may be named after an individual who, as an employee, has provided exemplary service to the TTU system or who, as a volunteer, has avidly pursued a program of excellence for a department, school, or college or for the TTU system, the State of Texas, or the United States of America.
- e. Streets and designated landscape features may be named after individuals or groups of individuals who have brought honor and distinction to the institution.
- f. Athletic, ~~[and]~~ recreational, and other auxiliary enterprise facilities or areas may be named after a donor(s) or family who wish to donate a ~~[substantial contribution toward]~~ gift equal to a minimum of 50% of the estimated construction cost of the [project (normally a minimum of 50%)] facility or area, as verified by the vice chancellor for facilities planning and construction.
- g. All donor recognition within a facility requires a gift that is made at a minimum \$10,000 level.



**PROPOSED / REVISED ... 12-6-11**

08.05.2 Naming restrictions.

- a. In no case shall a campus site, structure, or facility bear the name of more than two individuals, ~~or~~ one foundation, or one corporation.
- b. No more than one professional title may be included in a naming, and no individual's name may include student organization names or class years in the naming of an area.
- c. A gift originally intended to fund a specific facility that the TTU system is no longer planning to construct, expand or renovate may be used or applied to a naming of an alternate facility as approved by the chancellor, with prior notification to the board.
- d. Spendable earnings of endowments or any other internal funds may not be utilized or transferred to meet the criteria for a naming unless approved by the chancellor, with prior notification to the board.
- e. Prior to the presentation of any gift agreement to a donor, the naming must be approved by the chancellor or the chancellor's designee.

08.05.3 Name changes. The board, upon the recommendation of the president and the chancellor, shall approve any change in the name of existing or planned facilities.

08.05.4 Removal of a naming. In unusual and unforeseen circumstances, the board reserves the right to remove a previously-approved naming of a facility.

**PROPOSED / REVISED ... 12-6-11**

08.05.5 Board advance notification. The chancellor shall provide advance notice to the chair and vice chair of any proposed naming associated with a gift to the Texas Tech Foundation, Inc.

08.05.6 Board approval. All namings and name changes requiring the approval of the board must receive approval from the board before the naming or name change can be announced.

08.05.7 [~~08.05.6~~] Exceptions. Exceptions to the above sections may be made by the board.

# **Investment Policy Statement for the Long Term Investment Fund**

## **Conflict of Interest Policy**

**PROPOSED ... 11-11-11**

## **Investment Policy Statement for the Long Term Investment Fund**

### **Proposed revisions to the conflict of interest policy for investments**

In 2011, the Texas Legislature adopted amendments to Sec. 51.923, *Texas Education Code*, [herein "*Ed Code 51.923*"] which governs "Qualifications of certain business entities to enter into contracts with an institution of higher education."

As a result, the conflict of interest provisions in the Investment Policy Statement for the Long Term Investment Fund (LTIF) – need to be brought in line with the changes to *Ed Code 51.923*.

#### **Texas Tech University System**

#### **INVESTMENT POLICY STATEMENT**

#### **Long Term Investment Fund**

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#### **Section 15 Conflicts of Interest on Investments and Restrictions on Investments for Board Members, IAC Members, and Employees of the TTUS Office of Investments.**

• • •

##### **15.1 Introduction.**

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- c. For the purposes of this section, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust.

• • •

##### **15.3 Presumed conflict of interest.**

- a. A conflict of interest is presumed to arise when the TTU system has or is considering an investment in [~~an outside~~] a business entity in which a Board member, an IAC member, a TTUS OI employee, or a family member of any of

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these individuals has a [~~material~~] substantial financial interest. A financial interest is presumed to be [~~material~~] substantial if it entails:

- (1) any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than \$10,000, except equity in a [~~publicly-traded~~] company amounting to less than 10% ownership interest in the company;
  - (2) receipt of [~~non-dividend compensation (including salary, consulting fees, royalty payments, or other remuneration) of more than \$10,000 in any 12-month period in the past three years~~] funds from the business entity that exceed 10 percent of the board member's gross income for the previous year, or the expectation of the receipt of such [~~compensation~~] funds in the future;
  - (3) any ownership interest in real property, personal property, intellectual property or any other interest valued at \$10,000 or more;
  - (4) a position of real or apparent authority in [~~an outside~~] a business entity such as director, officer, trustee, partner, agent, controlling share holder, share holder with [~~more than~~] a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in [~~more than~~] 10% or more of the profits, proceeds or capital gains of the entity involved; or
  - (5) any position as an employee of the entity involved.
- b. A Board member, an IAC member, or a TTUS OI employee is not deemed to have a [~~material~~] substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund, of which the Board member does not control investment decisions.

**PROPOSED ... 11-11-11**

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15.5 Restriction on parallel investments.

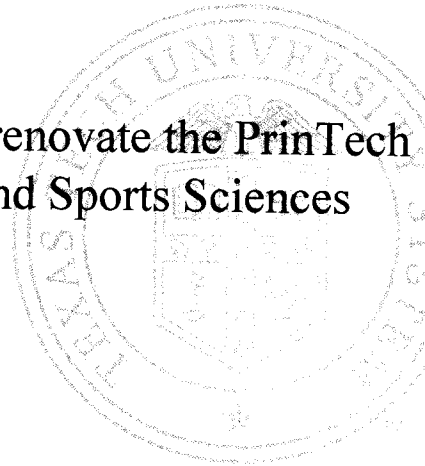
- a. A conflict of interest also may arise when a Board member, an IAC member, a TTUS OI employee, or a family member of any of these individuals has or is considering an investment in a business entity, including a fund or partnership, that may or may not be publicly traded and in which the TTU system has or is considering an investment. Such parallel investments may create at least an appearance that the Board member, IAC member, or TTUS OI employee is benefiting from the TTU system's participation in the business entity. When these individuals have any financial interest in any such business entity in which the individual otherwise knows the TTU system has or is considering an investment, these individuals should promptly disclose to the Chief Financial Officer as follows: in the case of a publicly traded business entity, any ~~[material]~~ substantial financial interest; or in the case of a privately held or traded business entity, any financial interest. The individual should not participate in any decisions whatsoever regarding such investment by the TTU system.

# Texas Tech University

Item 2

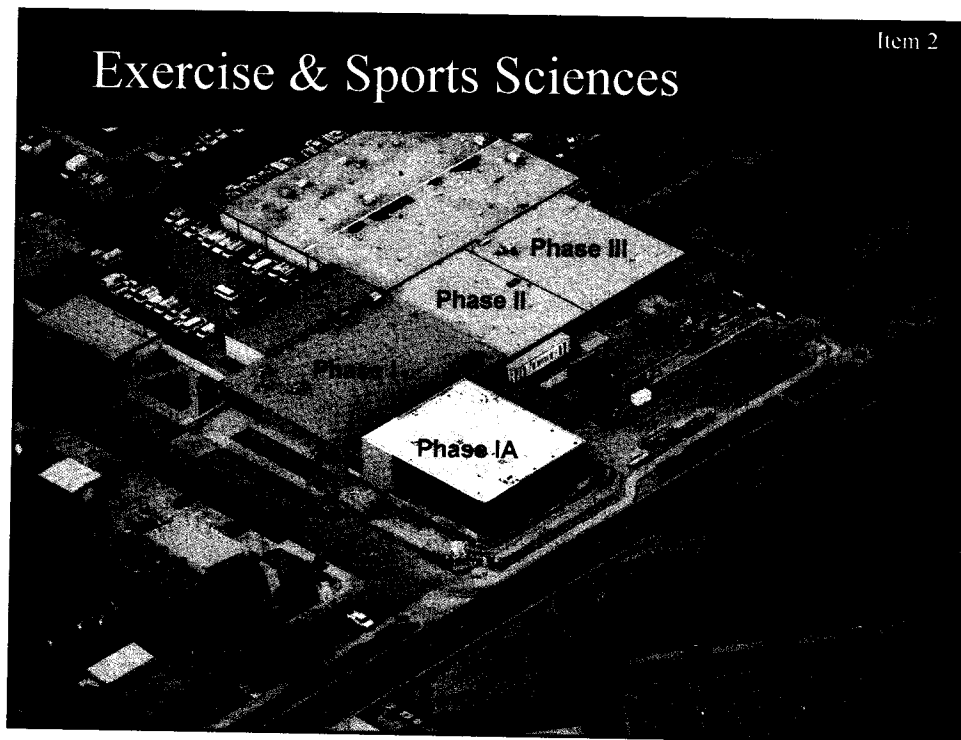
## Re-Approve project to renovate the PrinTech Building for Exercise and Sports Sciences

*Michael S. Molina*



## Exercise & Sports Sciences

Item 2



## PrinTech Building Renovation

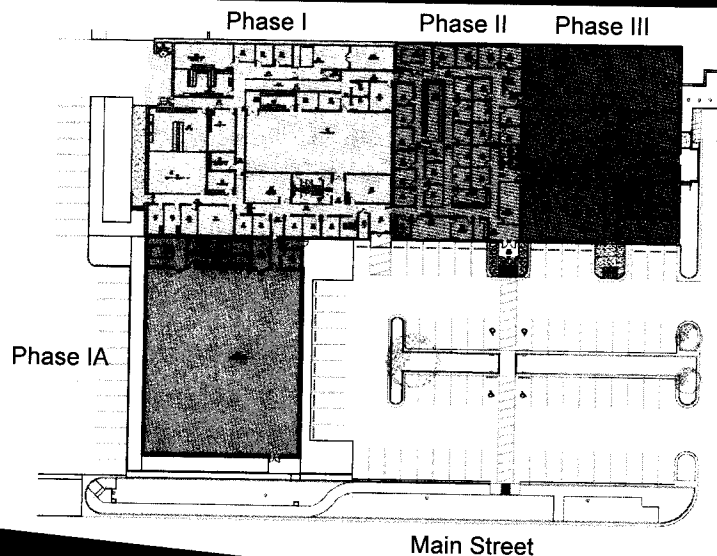
Item 2

- Renovation will create research space for:
  - Cardio Related Labs
  - Intervention Labs
  - Motor Behavior and Biomechanics Labs
  - Sport and Exercise Psychology Labs
  - Classrooms
  - Faculty offices
  - Conference rooms
  - Support space
  - Landscape enhancements and public art



## Building Floor Plan / Phase

Item 2





## Budget

Item 2

| Project Budget Summary<br>\$7,200,000 | Phase I, IA and III<br>Complete – Dec 2011 | Phase II<br>Complete – March<br>2012 |
|---------------------------------------|--|--------------------------------------|
| Construction                          | \$ 5,095,064                               | \$ 888,000                           |
| Professional Services                 | \$ 104,656                                 | \$ 0                                 |
| FF&E                                  | \$ 286,690                                 | \$ 215,000                           |
| Administrative Costs                  | \$ 51,697                                  | \$ 5,000                             |
| BOR Directed Fees                     | \$ 406,803                                 | \$ 81,360                            |
| Contingency                           | \$ 55,090                                  | \$ 10,640                            |
| <b>Total</b>                          | <b>\$ 6,000,000</b>                        | <b>\$ 1,200,000</b>                  |



## Recommendation

Item 2

- Re-approve a project to renovate the PrinTech Building for the Exercise & Sports Sciences in order to construct Phase II with a budget of \$1,200,000 funded with Higher Education Assistance Funds ("HEAF"); increase the total project budget from \$6,000,000 to \$7,200,000; obtain re-approval from the Texas Higher Education Coordinating Board; and amend the existing Design/Build contract.
- In summation the total project budget will be funded with \$3,200,000 in Higher Education Assistance Funds ("HEAF") and \$4,000,000 through the Revenue Finance System ("RFS") repaid with University Housing and Hospitality Services funds.

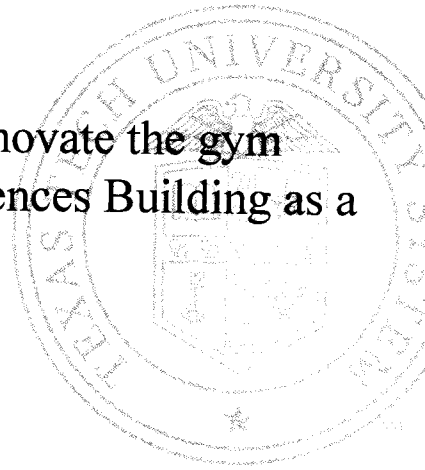


## Texas Tech University

Item 3

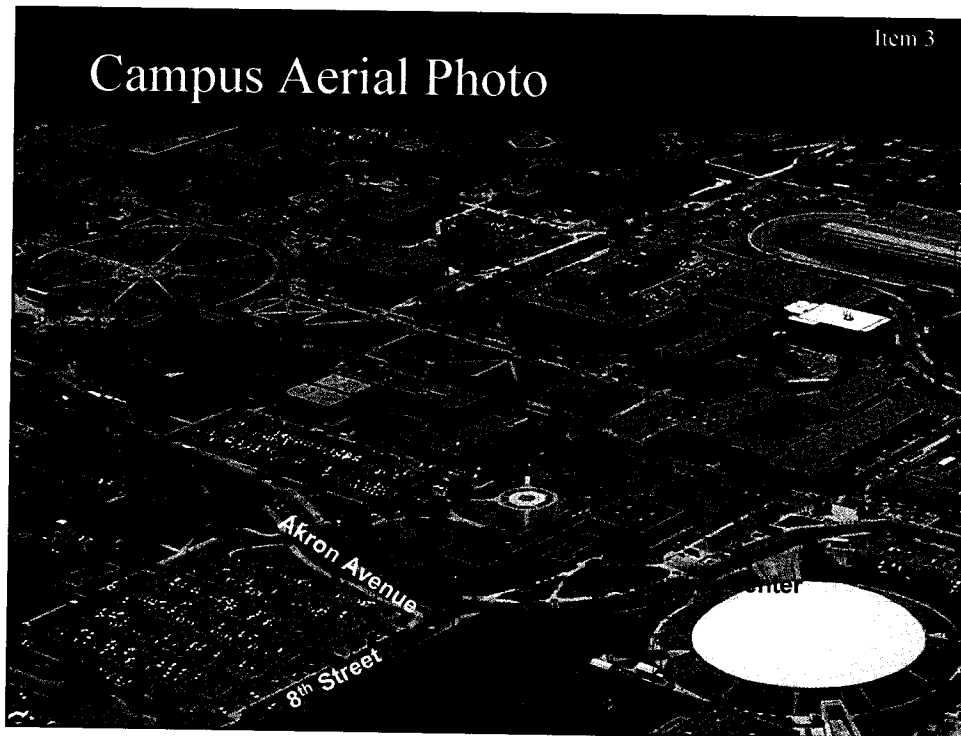
Approve a project to renovate the gym  
within the Exercise Sciences Building as a  
multi-purpose studio

*Michael Molina*



## Campus Aerial Photo

Item 3



## Scope of Work

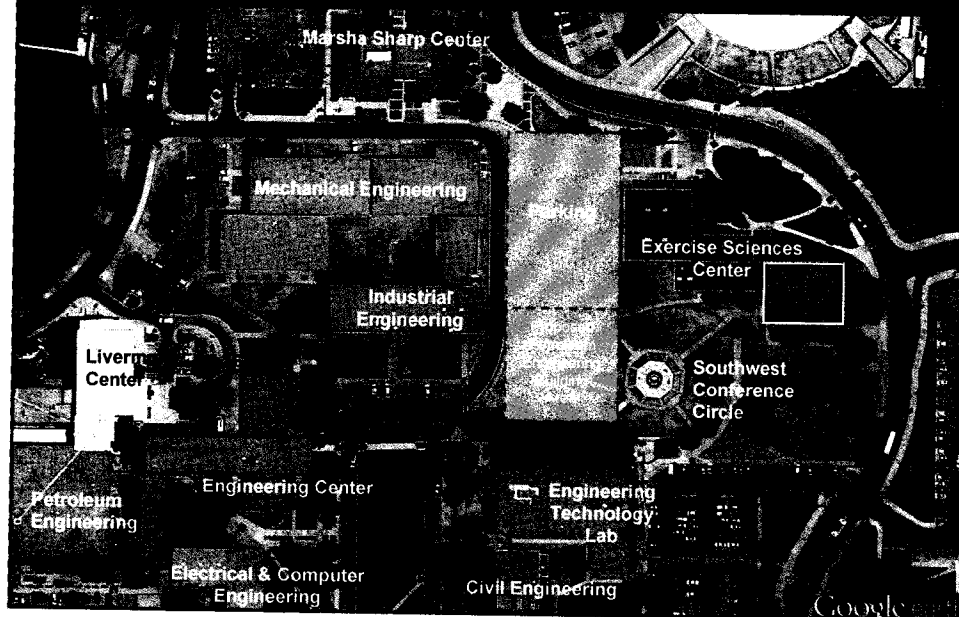
Item 3

- Renovate Existing Gymnasium within the Exercise Sciences Center
- Renovation of approximately 10,000 SF to include:
  - Large Studio (3,500 SF)
  - Small Studio (2,500 SF)
  - Classroom
  - Men and Women's Locker/Restrooms
  - Office Suite for Faculty and Staff
  - Support Space



## Campus Aerial Photo

Item 3



## Budget

Item 3

|                              |                     |
|------------------------------|---------------------|
| <b><u>Project Budget</u></b> | <b>\$ 2,200,000</b> |
| Construction                 | \$ 1,736,555        |
| Professional Services        | \$ 21,707           |
| FF&E                         | \$ 236,400          |
| Administrative Costs         | \$ 12,000           |
| BOR Directed Fees            | \$ 149,161          |
| Contingency                  | \$ 44,177           |



## Schedule

Item 3

- Start Construction February 2012
- Substantial Completion July 2012
- Final Completion August 2012



Item 3

## Recommendation

- Approve a project to renovate the existing gymnasium within the Exercise Sciences Center as a multi-purpose studio with a project budget of \$2,200,000; complete the contract documents; and amend the existing Design/Build contract.
- The project will be funded with \$2,200,000 in Higher Education Assistance Funds (“HEAF”).

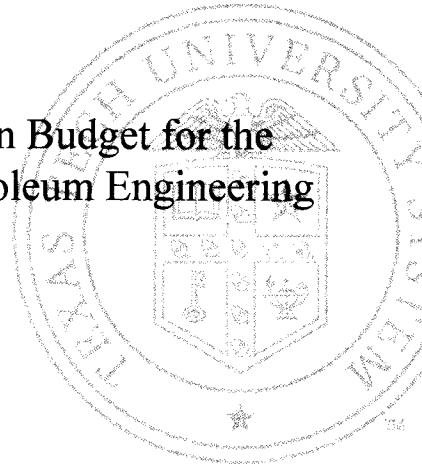


Item 4

## Texas Tech University

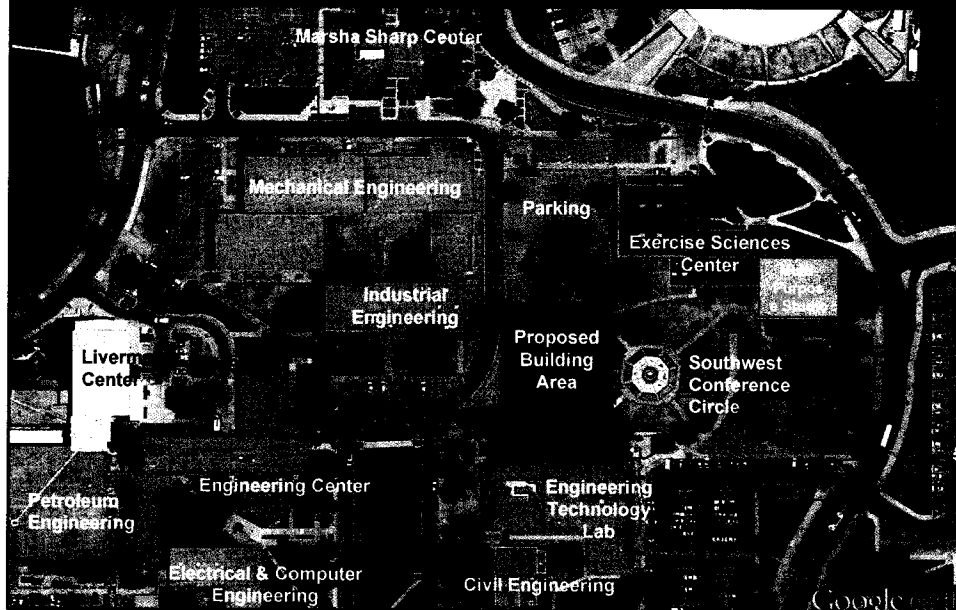
Approve increase to Design Budget for the  
construction of a new Petroleum Engineering  
Building

*Michael S. Molina*



Item 4

## Campus Aerial Photo



## Design Concept

Item 4



## Design Budget Summary

Item 4

| Design Budget<br>Summary..... \$1,600,000 | Original<br>Design Budget | Design Budget<br>Increase |
|---|---------------------------|---------------------------|
| Construction                              | \$ 0                      | \$ 0                      |
| Professional Services                     | \$ 372,300                | \$ 949,000                |
| Pre-Construction Services                 | \$ 0                      | \$ 54,000                 |
| FF&E                                      | \$ 0                      | \$ 0                      |
| Administrative Costs                      | \$ 4,400                  | \$ 0                      |
| BOR Directed Fees                         | \$ 20,000                 | \$ 40,000                 |
| Contingency                               | \$ 3,300                  | \$ 157,000                |
| Totals                                    | \$ 400,000                | \$ 1,200,000              |



Item 4

## Recommendation

- Approve an increase to the Design Budget of \$1,200,000; proceed with a project to plan and design the new Petroleum Engineering Building; award a construction manager at risk contract for pre-construction services; and complete the contract documents.
- The project will be funded with \$1,200,000 in gifts and donations.



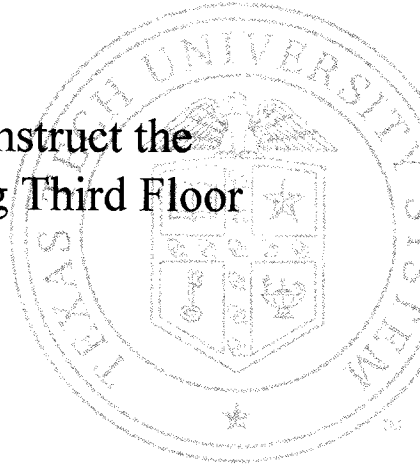


## Texas Tech University

Item 5

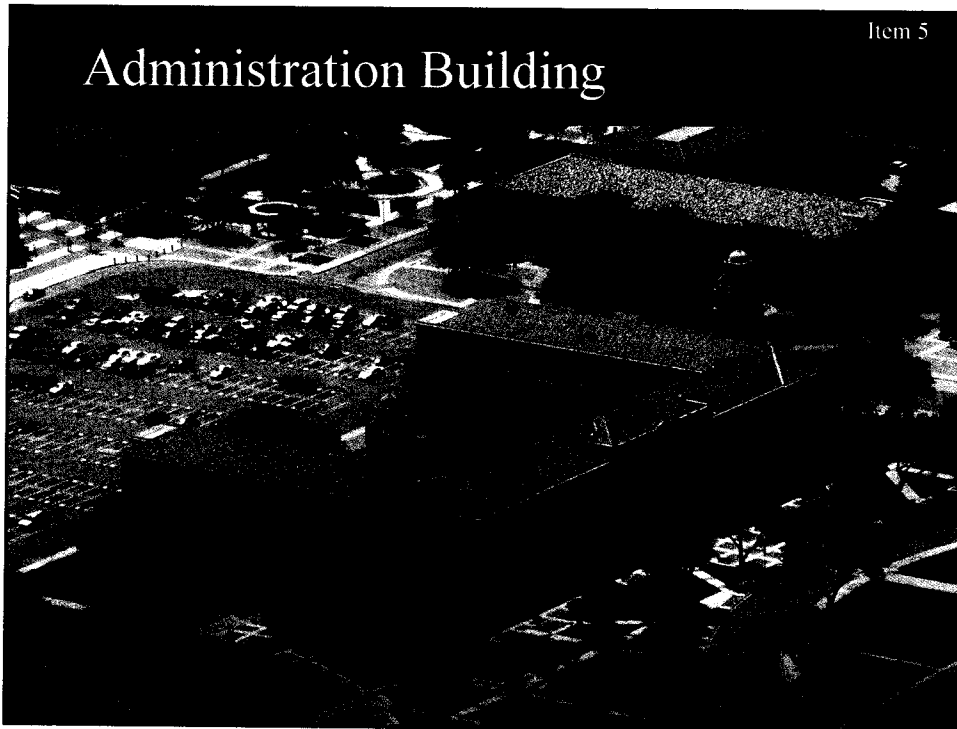
Approve a project to construct the  
Administration Building Third Floor  
Finish-out

*Michael S. Molina*



## Administration Building

Item 5



## Scope of Work

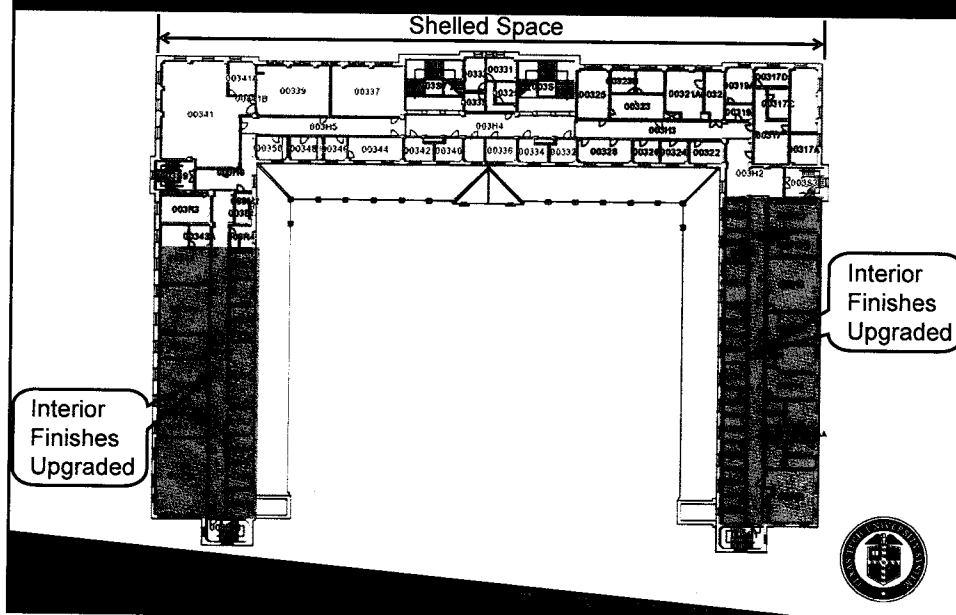
Item 5

- Finish-out approximately 13,000 SF of shelled space created from the Abatement and ADA Compliance Project for the Office of the Vice President for Research and the Graduate School
- Project to include:
  - Office Suites with Support Space
  - Conference Rooms
- East and West Wings will receive interior finish upgrades, i.e., carpet, paint, etc.
- Landscape Enhancements and Public Art will be included in this project



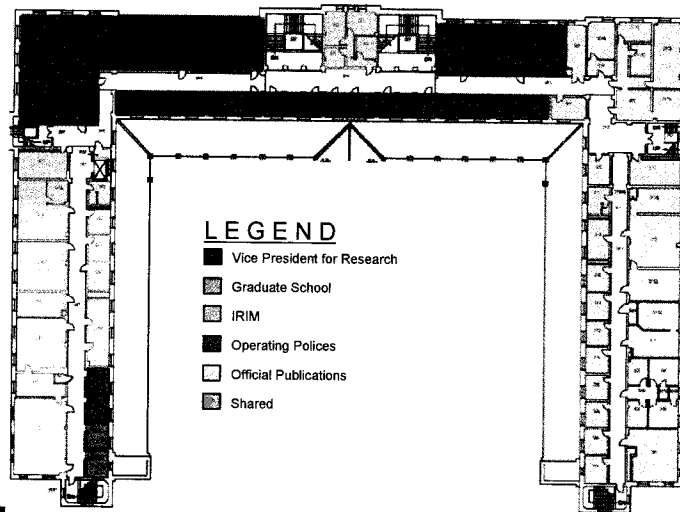
## Original Floor Plan

Item 5



## Space Allocation Diagram

Item 5



## Budget

Item 5

|                             |                     |
|-----------------------------|---------------------|
| <b>Total Project Budget</b> | <b>\$ 2,400,000</b> |
| Construction                | \$ 1,604,197        |
| Professional Services       | \$ 100,511          |
| FF&E                        | \$ 378,160          |
| Administrative Costs        | \$ 23,000           |
| BOR Directed Fees           | \$ 162,721          |
| Contingency                 | \$ 131,411          |

\* Completion Goal Date - November 2012



## Recommendation

Item 5

- Approve a project to plan and design the Administration Building's Third Floor Finish-Out, with a budget of \$2,400,000; complete the contract documents; and award a construction contract.
- The project will be funded with Higher Education Assistance Funds ("HEAF").

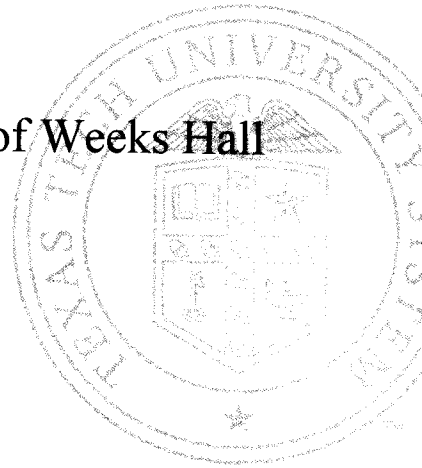


# Texas Tech University

Item 7

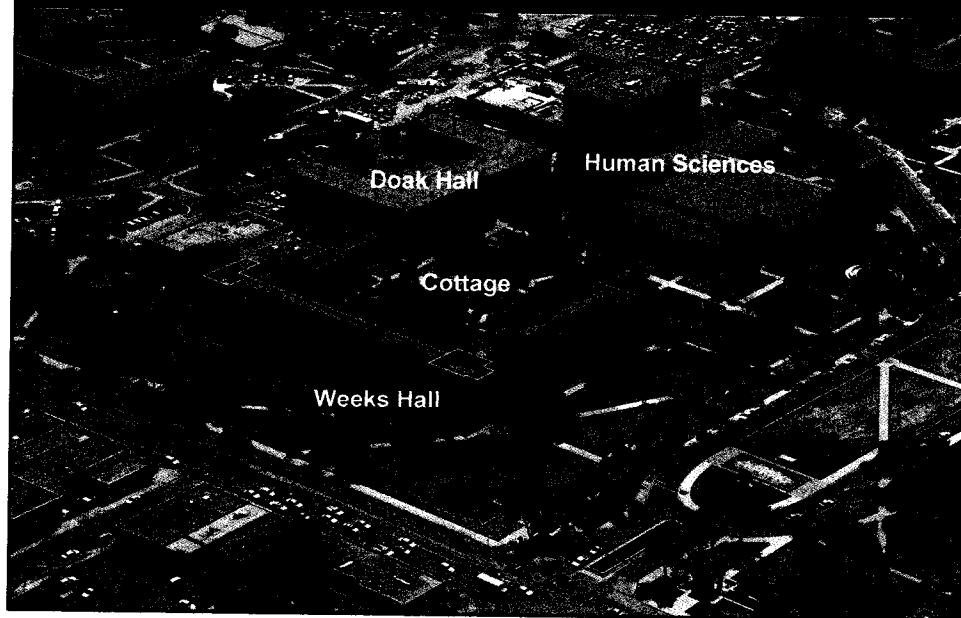
## Report on the viability of Weeks Hall

*Michael S. Molina*



## Campus Aerial Photo

Item 7



## Building Analysis

Item 7

| Criteria                     | Comments   |
|------------------------------|--|
| Building Constructed         | 1958   |
| Building Closed              | 1991   |
| General Location             | High Visibility at Campus Main Entrance  |
| Parking                      | Limited Expansion  |
| Building Accessibility       | ADA Compliance Required  |
| Building Shell Condition     | Exterior walls, structural concrete frame and concrete slabs appear to be in good condition                      |
|                              | Roof – Most significant source of moisture penetration of the building envelope                                  |
|                              | Windows – Poor and failed conditions   |
| Building Interior Conditions | Moisture damage and material composition – all interiors and MEP devices should be demolished                    |
|                              | Replace stairs and elevators. Fire escape can be removed due to building occupancy change to Business (Group B). |

## Proposed Adaptive Re-use

Item 7

- Based on infrastructure needs to meet enrollment growth
- Proposed uses for Weeks Hall
  - Faculty office space
  - Research and teaching labs
  - Potential relocation of academic departments
  - Studio Space



Item 7

## Projected Budget Analysis

|   | Raze/Rebuild  | RetroFit      |
|---|---------------|---------------|
| Abate/Demolish Building   | \$ 4,512,232  | \$ 4,044,549  |
| New Building<br>(69,000 SF @ \$385/SF)  | \$ 26,565,000 | \$ 0          |
| Renovation of Existing Building<br>(Includes Abatement & Select<br>Demolition - 69,000 SF @ \$291/SF) | \$ 0          | \$ 16,066,186 |
| Total Projected Budgets   | \$ 31,077,232 | \$ 20,110,735 |





TEXAS TECH UNIVERSITY SYSTEM  
Facilities Planning and Construction

# TTUS Design & Construction Review

## Under Construction

### December 2011

www.fpc.ttu.edu

#### Project

| <u>Project</u>                                   | <u>Cost</u>           | <u>Status</u>          | <u>Completion Date</u>    |
|--|-----------------------|------------------------|---------------------------|
| Rawls College of Business Administration         | \$ 70,000,000         | Under Construction     | December 2011             |
| Business Administration Building Renovations     | \$ 25,000,000         | Under Construction     | September 2012            |
| NRHC North Addition                              | \$ 1,833,000          | Substantially Complete | September 2011            |
| PrinTech Building Renovation (HESS Relocation)   | \$ 6,449,412          | Under Construction     | August 2011/December 2011 |
| NRHC Historic Preservation Building              | \$ 664,721            | Substantially Complete | September 2011            |
| Admin Bldg Abatement and Renovation              | \$ 3,850,000          | Under Construction     | April 2012                |
| Campus Chapel                                    | \$ 3,000,000          | Under Construction     | June 2012                 |
| Boston Avenue Residence Hall and Dining Facility | \$ 45,000,000         | Under Construction     | August 2012               |
| Rawls Course Clubhouse and Team Facility         | \$ 3,700,000          | Under Construction     | September 2012            |
| Texas Tech Baseball Park Improvements            | \$ 5,000,000          | Under Construction     | February 2012             |
| <b>TTU Total</b>                                 | <b>\$ 164,497,133</b> |                        |                           |

ASU

Plaza Verde Residence Hall Phase I (Design Phase I & II / Construct Phase I)

|                  |                      |                                      |
|------------------|----------------------|--------------------------------------|
| \$ 35,000,000    | Under Construction   | August 2011/September 2011/Fall 2011 |
| <b>ASU Total</b> | <b>\$ 35,000,000</b> |                                      |

HSC

Abilene School of Nursing

|                                       |                       |     |
|---------------------------------------|-----------------------|-----|
| \$ 12,000,000                         | Under Construction    | TBD |
| <b>HSC Total</b>                      | <b>\$ 12,000,000</b>  |     |
| <b>Under Construction Grand Total</b> | <b>\$ 211,497,133</b> |     |





TEXAS TECH UNIVERSITY SYSTEM  
Facilities Planning and Construction

# TTUS Design & Construction Review

In Design  
December 2011  
[www.fpc.ttu.edu](http://www.fpc.ttu.edu)

| Project   | Cost                 | Status               | Completion Date |
|---|----------------------|----------------------|-----------------|
| TTU   |                      |                      |                 |
| Petroleum Engineering Bldg Renovation for Maddox Chairs | \$ 2,900,000         | On Hold              | TBD             |
| Admin Building 3rd Floor Interior Finish Out            | \$ 2,000,000         | Design In Progress   | August 2012     |
| The Burkhardt Center for Autism Education and Research  | \$ 10,000,000        | Design In Progress   | TBD             |
| Architecture Building Life Safety Upgrades              | \$ 7,400,000         | On Hold              | TBD             |
| Biology & Biology Greenhouse Fire Suppression System    | \$ 8,300,000         | On Hold              | TBD             |
| Soccer Indoor Facility                                  | \$ 900,000           | Out for Proposals    | TBD             |
| Renovate Gym in Exercise Sciences Building              | \$ 2,200,000         | Design In Progress   | TBD             |
| System Office Relocation                                | \$ 7,500,000         | Planning in Progress | TBD             |
| <b>TTU Total</b>  | <b>\$ 41,200,000</b> |                      |                 |
| ASU   |                      |                      |                 |
| Concho Hall Abate/Demolish                              | \$ 2,500,000         | On Hold              | October 1, 2012 |
| Mixed-Use Development                                   | \$ TBD               | Planned              | TBD             |
| <b>ASU Total</b>  | <b>\$ 2,500,000</b>  |                      |                 |
| HSC   |                      |                      |                 |
|   | \$ -                 |                      |                 |
| <b>HSC Total</b>  | <b>\$ -</b>          |                      |                 |
| <b>In Design Grand Total</b>                            | <b>\$ 43,700,000</b> |                      |                 |



TEXAS TECH UNIVERSITY SYSTEM  
Facilities Planning and Construction

# TTUS Design & Construction Review

Prospective  
December 2011  
www.fpc.ttu.edu

## Project

## Completion Date

## Status

## Cost

|     |  |           |                    |                       |     |
|-----|--|-----------|--------------------|-----------------------|-----|
| TTU | Experimental Sciences Building II                      |           | \$ 87,750,000      | Proposed              | TBD |
|     | Petroleum Engineering Research Building                |           | \$ 20,000,000      | Stage I Design Budget | TBD |
|     | Engineering Expansion/Renovation Phase II              |           | \$ 90,000,000      | Proposed              | TBD |
|     | Plant & Soil Sciences Building                         |           | \$ 15,000,000      | Program Complete      | TBD |
|     | Foreign Language Building Renovations                  |           | \$ 16,000,000      | Proposed              | TBD |
|     | Mass Communication Building Renovation                 |           | \$ 15,000,000      | On Hold               | TBD |
|     | Human Sciences Life Safety Upgrades                    |           | \$ 6,000,000       | On Hold               | TBD |
|     | <b>TTU Total</b>                                       | <b>\$</b> | <b>249,750,000</b> |                       |     |
| ASU | College of Nursing and Allied Health                   | \$        | 16,200,000         | Proposed              | TBD |
|     | Plaza Verde Residence Hall - Phase II                  | \$        | 30,000,000         | Proposed              | TBD |
|     | <b>ASU Total</b>                                       | <b>\$</b> | <b>46,200,000</b>  |                       |     |
| HSC | Lubbock Education, Research & Technology Renovation    | \$        | 45,000,000         | Proposed              | TBD |
|     | El Paso Medical Science Building II                    | \$        | 65,000,000         | Proposed              | TBD |
|     | El Paso Clinical Sciences Building                     | \$        | 30,000,000         | Proposed              | TBD |
|     | Permian Basin Academic Building                        | \$        | 18,900,000         | Proposed              | TBD |
|     | Amarillo Panhandle Clinical/Hospital Simulation Center | \$        | 16,500,000         | Proposed              | TBD |
|     | Amarillo Laura W. Bush Institute Renovations           | \$        | 12,800,000         | Proposed              | TBD |
|     | <b>HSC Total</b>                                       | <b>\$</b> | <b>188,200,000</b> |                       |     |
|     | <b>Future Grand Total</b>                              | <b>\$</b> | <b>484,150,000</b> |                       |     |



TEXAS TECH UNIVERSITY SYSTEM  
Facilities Planning and Construction

# TTUS Design & Construction Review

## Completed December 2011

[www.fpc.ttu.edu](http://www.fpc.ttu.edu)

| <u>Project</u>  | <u>Cost</u>   | <u>Status</u> | <u>Completion Date</u>     |
|---|---------------|---------------|----------------------------|
| Art 3D Annex Finish Out (Sculpture)                       | \$ 3,800,000  | Complete      | August 2011                |
| Experimental Science Bldg Build Out                       | \$ 12,100,000 | Complete      | July 2011                  |
| Jones AT&T Stadium East Side Expansion                    | \$ 34,630,000 | Complete      | January 2011               |
| Jones AT&T Stadium North End Zone Expansion               | \$ 6,000,000  | Complete      | January 2011               |
| System Office Relocation (2nd Floor)                      | \$ 2,000,000  | Complete      | December 2010              |
| Jones AT&T Stadium NEZ Facilities (Toilets & Concessions) | \$ 1,300,000  | Complete      | January 2011               |
| Scholarship Donor Walk-Phase 2                            | \$ 50,000     | Complete      | March 2010                 |
| Softball Team Facility                                    | \$ 3,000,000  | Complete      | February 2010              |
| Pulse Power Lab   | \$ 1,500,000  | Complete      | October 2009/February 2010 |
| Soccer Team Facility                                      | \$ 4,080,000  | Complete      | September 2009             |
| Rawls CoBA Tunnel Project                                 | \$ 1,700,000  | Complete      | October 2009               |
| Horn/Knapp Window Replacement                             | \$ 2,500,000  | Complete      | November 2009              |
| Memorial Circle Utility Tunnel Replacement                | \$ 3,887,819  | Complete      | August 2009                |
| Student Leisure Pool                                      | \$ 8,250,000  | Complete      | May 2009                   |
| SPICE Chess Garden  | \$ 71,000     | Complete      | July 2009                  |
| Thompson Gaston Demolition                                | \$ 2,200,000  | Complete      | March 2009                 |
| Engineering Expansion/Renovation Phase I                  | \$ 10,000,000 | Complete      | March 2009                 |
| Track Renovation/Relocation                               | \$ 4,000,000  | Complete      | May 2009                   |
| Softball Field Improvements                               | \$ 1,000,000  | Complete      | March 2009                 |
| Art 3D Annex Ceramics/Kiln Yard                           | \$ 1,556,937  | Complete      | October 2008               |
| High Performance Research Computer Facility               | \$ 1,800,000  | Complete      | September 2008             |
| Sneed/Bledsoe HVAC Upgrade                                | \$ 6,000,000  | Complete      | August 2008                |
| Bledsoe Window Replacement                                | \$ 1,000,000  | Complete      | August 2008                |
| 4th Street Sewer Upgrade                                  | \$ 560,000    | Complete      | October 2008               |
| Mark & Becky Lanier Prof. Development Center              | \$ 13,665,000 | Complete      | April 2008                 |
| NCAA Soccer Complex                                       | \$ 1,998,000  | Complete      | August 2007                |

Revised 1/9/2012

|  |           |                      |          |                |
|--|-----------|----------------------|----------|----------------|
| Dan Law Field                          | \$        | 1,612,000            | Complete | June 2002      |
| Fuller Track Field House               | \$        | 480,000              | Complete | June 2002      |
| Pflugler Fountain                      | \$        | 826,000              | Complete | April 2002     |
| Recreation Center Expansion/Renovation | \$        | 12,070,277           | Complete | November 2001  |
| Jones SBC Stadium Stage I              | \$        | 22,000,000           | Complete | September 2001 |
| Frazier Plaza & Masked Rider Statue    | \$        | 515,000              | Complete | September 2001 |
| Tennis-Softball Complex                | \$        | 4,059,784            | Complete | September 2001 |
| Campus Fiber Optic Connection          | \$        | 1,667,000            | Complete | September 2001 |
| West Hall/Visitors Center              | \$        | 5,703,441            | Complete | August 2001    |
| Broadway Gatehouses                    | \$        | 816,000              | Complete | August 2001    |
| Marquee                                | \$        | 352,000              | Complete | August 2001    |
| Stange/Murdough Fire Suppression       | \$        | 1,616,293            | Complete | August 2001    |
| Chitwood/Weymouth Fire Suppression     | \$        | 511,900,112          | Complete | August 2000    |
| <b>TTU Total</b>                       | <b>\$</b> | <b>1,007,900,224</b> |          |                |

### Project

### Cost

### Status

### Completion Date

Porter Henderson Library IT Commons Renovation  
Recreation/Wellness Ctr & Center for Human Performance Expansion  
Centennial Village Residence Hall  
University Hall/Abatement Demolition  
UC Dining Services Expansion

|                  |            |                    |                        |
|------------------|------------|--------------------|------------------------|
| \$               | 4,380,000  | Complete           | December 2010          |
| \$               | 7,000,000  | Under Construction | May 2011               |
| \$               | 28,215,000 | Complete           | August 2008/March 2009 |
| \$               | 2,500,000  | Complete           | January 2010           |
| \$               | 2,500,000  | Complete           | January 2009           |
| <b>ASU Total</b> | <b>\$</b>  | <b>44,595,000</b>  |                        |

The F. Marie Hall SimLife Center  
4C Cancer Research Lab  
Lubbock Memorial Garden  
Amarillo School of Pharmacy Expansion  
Amarillo Family Medicine Relocation  
Amarillo Research Building  
El Paso Vivarium Upgrade  
International Pain Center

|    |            |          |                |
|----|------------|----------|----------------|
| \$ | 6,500,000  | Complete | September 2010 |
| \$ | 3,200,000  | Complete | October 2010   |
| \$ | 181,130    | Complete | January 2010   |
| \$ | 8,010,000  | Complete | November 2009  |
| \$ | 7,026,925  | Complete | July 2009      |
| \$ | 18,152,430 | Complete | March 2009     |
| \$ | 737,479    | Complete | December 2008  |
| \$ | 7,000,000  | Complete | November 2008  |

| HSC  |  | TBD | Complete      | TBD | Complete | TBD                |
|--|--|-----|---------------|-----|----------|--------------------|
|  |  |     |               |     |          |                    |
| El Paso Strategic Space Study              |  | \$  |               |     |          |                    |
| El Paso - Archer Building Renovations      |  | \$  | 1,700,000     |     | Complete | March 2008         |
| Texas Tech Physicians Medical Pavilion     |  | \$  | 36,462,388    |     | Complete | June 2006/Dec 2007 |
| El Paso Medical Education Bldg.            |  | \$  | 45,000,000    |     | Complete | November 2007      |
| Abilene School of Pharmacy                 |  | \$  | 9,087,743     |     | Complete | July 2007          |
| El Paso Medical Science Bldg. I Build Out  |  | \$  | 3,564,306     |     | Complete | July 2006          |
| Amarillo Campus Improvements               |  | \$  | 1,424,677     |     | Complete | September 2006     |
| HSC Roof Replacement                       |  | \$  | 1,747,867     |     | Complete | April 2006         |
| The Larry Combest Health & Wellness Center |  | \$  | 1,551,549     |     | Complete | January 2006       |
| El Paso Medical Science Bldg. I            |  | \$  | 36,977,869    |     | Complete | February 2006      |
| HSC Campus Infrastructure Improvement      |  | \$  | 5,028,277     |     | Complete | January 2006       |
| HSC El Paso Clinic Expansion/Renovation    |  | \$  | 9,638,830     |     | Complete | February 2005      |
| HSC El Paso Hydronic Pipe Replacement      |  | \$  | 1,552,209     |     | Complete | February 2005      |
| HSC Academic Classroom Bldg.               |  | \$  | 14,963,993    |     | Complete | October 2003       |
| HSC Synergistic Center                     |  | \$  | 1,995,105     |     | Complete | March 2003         |
| Amarillo Academic/Clinic Facility          |  | \$  | 23,636,894    |     | Complete | April 2002         |
| Midland Physicians Assistant Building      |  | \$  | 6,000,000     |     | Complete | August 2001        |
| HSC Admin Relocation                       |  | \$  | 1,862,000     |     | Complete | March 2001         |
| Odessa Clinic Renovation                   |  | \$  | 1,200,000     |     | Complete | September 2000     |
| Communications Disorders Renovation        |  | \$  | 2,161,000     |     | Complete | May 2000           |
| HSC Total                                  |  | \$  | 256,362,671   |     |          |                    |
| Completed Total                            |  | \$  | 1,308,857,895 |     |          |                    |
| TTUS Capital Project Total                 |  | \$  | 2,048,205,028 |     |          |                    |

Approved 12/16/2011

**FOURTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION  
AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS  
OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM  
REFUNDING AND IMPROVEMENT BONDS, FOURTEENTH SERIES (2012A) AND  
APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING  
THERETO**

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**FOURTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, FOURTEENTH SERIES (2012A) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**

WHEREAS, on October 21, 1993, the Board of Regents of Texas Tech University (now known as the Board of Regents of Texas Tech University System, and herein referred to either as the "Board" or the "Issuer"), acting separately and independently for and on behalf of Texas Tech University ("TTU") and separately and independently for and on behalf of Texas Tech University Health Sciences Center (the "Health Sciences Center"), adopted a resolution establishing the "Revenue Financing System", which resolution, together with the resolutions adopted November 8, 1996 and on August 22, 1997, is referred to herein as the "Master Resolution"; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of TTU and the Health Sciences Center, and pledges the Pledged Revenues to the payment of Parity Obligations to be outstanding under the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, FIRST SERIES (1993) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "First Supplement") and pursuant to the First Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, FIRST SERIES (1993)"*** in the aggregate principal amount of \$46,420,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SECOND SERIES (1995) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Second Supplement") and pursuant to the Second Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SECOND SERIES (1995)"*** in the aggregate principal amount of \$25,000,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND**

**IMPROVEMENT BONDS, THIRD SERIES (1996) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**" (defined as the "Third Supplement") and pursuant to the Third Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, THIRD SERIES (1996)"*** in the aggregate principal amount of \$71,285,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, FOURTH SERIES (TAXABLE 1996) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Fourth Supplement") and pursuant to the Fourth Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, FOURTH SERIES (TAXABLE 1996)"*** in the aggregate principal amount of \$7,380,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board is adopting contemporaneously herewith an **"AMENDED AND RESTATED FIFTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION ESTABLISHING THE REVENUE FINANCING SYSTEM COMMERCIAL PAPER PROGRAM AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO "** (defined as the "Fifth Supplement") and pursuant to the Fifth Supplement to the Master Resolution has the authority to issue at any one time outstanding up to \$150,000,000 in aggregate principal amount of its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES A"*** as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted an **"AMENDED AND RESTATED SIXTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SIXTH SERIES (1999) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Sixth Supplement") and pursuant to the Sixth Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SIXTH SERIES (1999)"*** in the aggregate principal amount of \$115,100,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, SEVENTH SERIES (2001) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Seventh Supplement") and pursuant to the Seventh Supplement to the Master Resolution issued its ***"BOARD OF***

***REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, SEVENTH SERIES (2001)***” in the aggregate principal amount of \$126,865,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, EIGHTH SERIES (TAXABLE 2001) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Eighth Supplement”) and pursuant to the Eighth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, EIGHTH SERIES (TAXABLE 2001)”*** in the aggregate principal amount of \$42,810,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, NINTH SERIES (2003) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Ninth Supplement”) and pursuant to the Ninth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, NINTH SERIES (2003)”*** in the aggregate principal amount of \$97,265,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TENTH SERIES (2006) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Tenth Supplement”) and pursuant to the Tenth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TENTH SERIES (2006)”*** in the aggregate principal amount of \$220,915,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Texas Legislature (80<sup>th</sup> Regular Session) passed H.B. 3564 (“HB 3564”), and pursuant to HB 3564, the governance, control, management and property of Angelo State University (“ASU”) were transferred from the Board of Regents of the Texas State University System (“TSUS”) to the Board, effective September 1, 2007; and

WHEREAS, the Board heretofore has adopted an **“ELEVENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING AND DESIGNATING ANGELO STATE UNIVERSITY AS A PARTICIPANT IN THE TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM”** (defined as the “Eleventh Supplement”) and pursuant to the Eleventh Supplement to the Master Resolution the Board

designated ASU as a Participant in the Financing System under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"TWELFTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TWELFTH SERIES (2008) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Twelfth Supplement") and pursuant to the Twelfth Supplement to the Master Resolution issued its **"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TWELFTH SERIES (2008)"** in an aggregate principal amount not to exceed of \$295,000,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"THIRTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING NOTE, THIRTEENTH SERIES (2008) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Thirteenth Supplement") and pursuant to the Thirteenth Supplement to the Master Resolution issued its **"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING NOTE, THIRTEENTH SERIES (2008)"** in an aggregate principal amount not to exceed of \$53,015,658 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Parity Obligations issued pursuant to the First Supplement, Second Supplement, Third Supplement, Fourth Supplement, and the Sixth Supplement are no longer outstanding; and

WHEREAS, the Board reserved the right under the terms of the Master Resolution to issue obligations on a parity with the outstanding Parity Obligations; and

WHEREAS, the Board currently has outstanding Commercial Paper Notes in the approximate aggregate principal amount of \$85,400,000 and anticipates having up to \$105,000,000 outstanding prior to the issuance of the Bonds (the "Outstanding Commercial Paper Notes"); and

WHEREAS, the Board hereby determines that it is in the best interest of the Revenue Financing System to refund certain of the Outstanding Commercial Paper Notes (herein defined as the "Refunded Commercial Paper Notes") in order to convert interim financing into long-term, fixed rate financing of the projects funded with the proceeds of the Refunded Commercial Paper Notes; and

WHEREAS, the Board hereby determines that it is in the best interest of the Revenue Financing System to refund all or certain of the outstanding debt obligations listed in **Schedule I** to this Fourteenth Supplement, determined in accordance with the provisions of this Fourteenth

Supplement (herein defined as the "Refundable Bonds"), in order to achieve a present value savings to the Revenue Financing System; and

WHEREAS, the Board hereby determines that the projects listed in **Schedule II** to this Fourteenth Supplement shall be financed with bonds authorized to be issued by this Fourteenth Supplement (the "Bonds"), in accordance with the provisions of this Fourteenth Supplement; and

WHEREAS, the bonds are to be issued and delivered pursuant to Chapter 55, Texas Education Code, Chapter 1207, Texas Government Code, Chapter 1371, Texas Government Code, and other applicable laws; and

WHEREAS, the bonds hereinafter authorized may be issued concurrently with other bonds of the Board pursuant to a separate supplemental resolution (herein defined as the "Concurrent Bonds"), all which constitute Parity Obligations; and

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

**Section 1. DEFINITIONS.** In addition to the definitions set forth in the preamble of this Fourteenth Supplement, the terms used in this Fourteenth Supplement (except in the FORM OF BONDS) and not otherwise defined shall have the meanings given in the Master Resolution or in **Exhibit "A"** to this Fourteenth Supplement attached hereto and made a part hereof.

**Section 2. AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS.**

**(a) Maximum Amount Authorized.** The "**BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, FOURTEENTH SERIES (2012A)**" are hereby authorized to be issued in one or more series and delivered in an aggregate principal amount not to exceed \$230,000,000 **FOR THE PURPOSE OF (i) ACQUIRING, PURCHASING, CONSTRUCTING, IMPROVING, RENOVATING, ENLARGING OR EQUIPPING PROPERTY, BUILDINGS, STRUCTURES, FACILITIES, ROADS, OR RELATED INFRASTRUCTURE FOR TTUS, (ii) REFUNDING THE REFUNDED BONDS, (iii) REFUNDING THE REFUNDED COMMERCIAL PAPER NOTES AND (iv) PAYING THE COSTS RELATED THERETO.**

**(b) New Money Authorization.** The Bonds authorized for the purposes described in clause (i) of subsection (a) of this Section are being issued by the Board under authority of Chapter 55, Texas Education Code, particularly Section 55.13, and Chapter 1371, Texas Government Code. The principal amount of the Bonds hereby authorized by the Board that may be issued for the purposes described in clause (i) of subsection (a) of this Section may not exceed \$45,000,000. The Chief Financial Officer shall execute a certificate providing such documentation as may be required by the Public Finance Division of the Office of the Attorney General to (i) describe the specific projects for which the Bonds are being issued, and (ii) evidence the approval, if any, required to be obtained from the Texas Higher Education Coordinating Board for the projects to be financed with the proceeds of the Bonds. The projects that may be financed with the proceeds of the Bonds are described in **Schedule II** to this Fourteenth Supplement.

(c) ***Refunding Bonds Authorization.*** The Bonds authorized for the purposes described in clause (ii) of subsection (a) of this Section are being issued by the Board under authority of Chapter 55, Texas Education Code, particularly Section 55.19 thereof, and Chapter 1207, Texas Government Code. The refunding of the Refunded Bonds shall be accomplished in a manner that will result in a target present value savings of at least two percent (2%) of the Refunded Bonds identified in **Schedule I** being achieved. Such savings constitutes a public purpose.

(d) ***Refunding of Commercial Paper Notes.*** The Bonds hereby authorized to be issued by the Board for the purposes described in clause (iii) of subsection (a) of this Section are being issued to refund the Refunded Commercial Paper Notes. The Refunded Commercial Paper Notes are being refunded to convert interim financing into long-term fixed rate financing, as contemplated by the Board in the operation of the interim financing program as provided for in the Fifth Supplement, which constitutes a public purpose. Therefore, the manner in which the refunding of the Refunded Commercial Paper Notes is being accomplished by the Board does not make it practicable to make the determinations required by Section 1207.008, Texas Government Code. The Refunded Commercial Paper Notes shall be those Outstanding Commercial Paper Notes, not to exceed \$105,000,000 in principal amount, designated by the Chief Financial Officer to be refunded and retired with a portion of the proceeds of the Bonds.

### **Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS.**

(a) ***Terms of Bonds.*** Initially there shall be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"), in the denomination of \$5,000 or any integral multiple thereof (an "Authorized Denomination"), maturing not later than August 15, 2042, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as determined in the manner provided below. The foregoing notwithstanding, (i) the price to be paid for the Bonds shall not be less than 95% of the aggregate principal amount thereof, (ii) none of the Bonds shall bear interest at a rate greater than 10% per annum, and (iii) the Bonds shall not be delivered unless (A) the Bonds have been rated "AA-" or better (or its equivalent) by a nationally recognized rating agency for municipal securities or (B) the Bonds shall be approved by the Texas Bond Review Board.

(b) ***Method of Sale of the Bonds.*** As authorized by Chapter 1371, Texas Government Code, the Pricing Committee is hereby authorized, appointed, and designated to act on behalf of the Board in the selling and delivering the Bonds in one or more series. The Chief Financial Officer is directed to select, on behalf of the Board, the senior managing underwriter and the other investment banking firms comprising the underwriting syndicate (such firms, together with the senior managing underwriter, are hereafter collectively referred to as the "Underwriters") to assure that the Bonds are sold on the most advantageous terms to the Board. The Chief Financial Officer is directed to negotiate with the Underwriters all matters relating to the sale of the Bonds, including determining and fixing the date of the Bonds, the number of series, any additional designation or title by which the Bonds shall be known, the price at which



the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, and the aggregate principal amount of the Bonds or any series thereof, the principal amount of each series of Bonds, if any, to be issued to fund the projects to be described by the certificate executed by the Chief Financial Officer in accordance with Section 2(b) hereof, the principal amount of each series of Bonds, if any, to be issued to refund the Refunded Bonds, as described in Section 2(c) hereof, the principal amount of each series of Bonds, if any, to be issued to refund the Refunded Commercial Paper Notes, as described in Section 2(d) hereof, the rate or rates of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of each series of Bonds, including, without limitation, the possible use of municipal bond insurance for any series of Bonds and the use or uses of premium, if any, received as a part of the purchase price for Bonds. The actual sale of each series of Bonds, and the Bond Purchase Contract setting forth the terms of the sale of each series of Bonds negotiated by the Chief Financial Officer, shall be approved by a resolution to be adopted by the Pricing Committee. In establishing the aggregate principal amount of each series of Bonds authorized hereunder, the Pricing Committee shall establish an amount such that the aggregate of all series of Bonds issued under this delegation shall not exceed the amount authorized in Section 2(a) hereof. Any finding or determination made by the Pricing Committee, acting under the authority granted by this Fourteenth Supplement, in adopting a Pricing Resolution shall have the same force and effect as if made by the Board. The form of the Bond Purchase Contract in substantially the form presented at this meeting is hereby approved for use in each issuance of Bonds hereunder. The Chief Financial Officer is authorized to sign each Bond Purchase Contract in the final form approved by the Pricing Committee. The authority hereby granted by the Board to the Pricing Committee expires at 5:00 p.m., June 14, 2012.

(c) *In General.* The Bonds (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BONDS, with such changes and additions as are necessary to conform the FORM OF BONDS to the terms of the sale of the Bonds contained in the Bond Purchase Contract.

**Section 4. INTEREST.** The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS to their respective dates of maturity at the rates approved by the Pricing Committee.

**Section 5. REGISTRATION, TRANSFER, AND EXCHANGE;  
AUTHENTICATION; BOOK-ENTRY ONLY SYSTEM.**

(a) *Paying Agent/Registrar.* BOKF, NA, dba Bank of Texas is hereby appointed as Paying Agent/Registrar for the Bonds. The Chief Financial Officer is authorized to enter into and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to the Bonds in substantially the form presented at this meeting.

(b) **Registration Books.** The Issuer shall keep or cause to be kept at the corporate trust office designated in the Paying Agent/Registrar Agreement (the "Designated Trust Office") books or records for the registration of the transfer, exchange, and replacement of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Issuer and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books at the Designated Trust Office of the Paying Agent/Registrar during regular business hours, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(c) **Ownership of Bonds.** The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Fourteenth Supplement, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) **Payment of Bonds and Interest.** The Paying Agent/Registrar shall further act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, all as provided in this Fourteenth Supplement. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds.

(e) **Authentication.** The Bonds initially issued and delivered pursuant to this Fourteenth Supplement shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate (the "Authentication Certificate") unless they have been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Fourteenth Supplement the Paying Agent/Registrar shall execute the Authentication Certificate. The Authentication Certificate shall be in the form set forth in the FORM OF BONDS.

(f) **Transfer, Exchange, or Replacement.** Each Bond issued and delivered pursuant to this Fourteenth Supplement, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender of such Bond at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered

bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BONDS, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall be of the same series and have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Fourteenth Supplement shall constitute one of the Bonds for all purposes of this Fourteenth Supplement, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement of any Bond or Bonds issued under this Fourteenth Supplement, the Authentication Certificate shall be printed thereon. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in subsection (e) of this Section, no such Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Issuer or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by a Board Representative. Pursuant to Chapter 1206, Texas Government Code, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Fourteenth Supplement. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner

not more than three business days after the receipt of the Bonds to be cancelled and the written request as described above.

(g) ***Substitute Paying Agent/Registrar.*** The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Fourteenth Supplement, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Fourteenth Supplement. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Fourteenth Supplement, and a certified copy of this Fourteenth Supplement shall be delivered to each Paying Agent/Registrar.

(h) ***Book-Entry Only System.*** The Bonds issued in exchange for the Bonds initially issued and delivered to the Underwriters shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. A "Blanket DTC Letter of Representations" in connection with utilizing the DTC Book-Entry Only System has been executed by a Board Representative and filed with DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Fourteenth Supplement to the contrary but to the extent permitted by law, the Board and the

Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Fourteenth Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Fourteenth Supplement. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Fourteenth Supplement with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Fourteenth Supplement shall refer to such new nominee of DTC.

**(i) *Successor Securities Depository; Transfers Outside Book-Entry Only System.***

In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC described in subsection (h) of this Section or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Fourteenth Supplement.

**(j) *Payments to Cede & Co.*** Notwithstanding any other provision of this Fourteenth Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Board to DTC referred to in subsection (f) of this Section.

**(k) *Notice of Redemption.*** The Paying Agent/Registrar shall give notice of redemption of Bonds by United States mail, first-class postage prepaid, at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send

a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

Each notice of redemption, whether required in the FORM OF BONDS or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, the amounts of maturity so called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

**Section 6. FORM OF BONDS.** The forms of the Bonds, including the form of the Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, with respect to the Bonds initially issued and delivered to the Underwriters pursuant to this Fourteenth Supplement, shall be, respectively, substantially as set forth in Exhibit B, with such appropriate variations, omissions, or insertions as are permitted or required by this Fourteenth Supplement.

**Section 7. ESTABLISHMENT OF FINANCING SYSTEM AND ISSUANCE OF PARITY OBLIGATIONS.** By adoption of the Master Resolution, the Board has established the Revenue Financing System for the purpose of providing a financing structure for revenue supported indebtedness of Participants in the Financing System. The Master Resolution is intended to establish a master plan under which revenue supported debt of the Financing System can be incurred. This Fourteenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of the Bonds which are the Fourteenth series of Parity Obligations issued under the terms of the Master Resolution. The Master Resolution is incorporated herein by reference and as such made a part hereof for all purposes, except to the extent modified and supplemented hereby, and the Bonds are hereby declared to be Parity Obligations under the Master Resolution. As required by Section 5 (a) of the Master Resolution, the Board hereby determines, in connection with the issuance of the Bonds, that it will have sufficient funds to meet the financial obligations of each participant in the Financing System (currently TTU, ASU and the Health Sciences Center), including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System. Furthermore, the Board hereby determines that TTU, ASU and the Health Sciences Center each possess the financial capability to satisfy its respective Direct Obligation after taking into account the payment of the Annual Debt Service Requirements on the Bonds.

**Section 8. SECURITY AND PAYMENTS.** The Bonds are special obligations of the Board payable from and secured solely by the Pledged Revenues pursuant to the Master

Resolution and this Fourteenth Supplement. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, if any, to the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. The Board agrees to pay the principal of, premium, if any, and the interest on the Bonds when due, whether by reason of maturity or redemption.

**Section 9. PAYMENTS TO PAYING AGENT/REGISTRAR.** Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds, the Board shall make available to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

**Section 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.**

(a) ***Replacement Bonds.*** In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same Series, principal amount, maturity, and interest rate, and in the same form, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) ***Application for Replacement Bonds.*** Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) ***Payment in Lieu of Replacement.*** Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) ***Charge for Issuing Replacement Bonds.*** Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to

all the benefits of this Fourteenth Supplement equally and proportionately with any and all other Bonds duly issued under this Fourteenth Supplement.

(e) ***Authority for Issuing Replacement Bonds.*** In accordance with Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without the necessity of further action by the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(f) hereof for Bonds issued in exchange and replacement for other Bonds.

#### **Section 11. AMENDMENT OF SUPPLEMENT.**

(a) ***Amendments Without Consent.*** This Fourteenth Supplement and the rights and obligations of the Board and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Fourteenth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Fourteenth Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Fourteenth Supplement, upon receipt by the Board of an opinion of nationally-recognized bond counsel, that the same is needed for such purpose, and will more clearly express the intent of this Fourteenth Supplement;

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;

(v) To make such changes, modifications or amendments as are permitted by Section 19(d)(vi) of this Fourteenth Supplement;

(vi) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the economic and practical utilization of Credit Agreements with respect to the Parity Obligations; or



(vii) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of Outstanding Parity Obligations.

Notice of any such amendment may be published by the Board in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory resolution and the failure to publish such notice shall, not adversely affect the implementation of such amendment as adopted pursuant to such amendatory resolution.

(b) ***Amendments With Consent.*** Subject to the other provisions of this Fourteenth Supplement, the owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Fourteenth Supplement which may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Fourteenth Supplement or in the Bonds so as to:

- (i) Make any change in the maturity of the Outstanding Bonds;
- (ii) Reduce the rate of interest borne by Outstanding Bonds;
- (iii) Reduce the amount of the principal payable on Outstanding Bonds;
- (iv) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (v) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (vi) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

(c) ***Notice.*** If at any time the Board shall desire to amend this Fourteenth Supplement other than pursuant to subsection (a) of this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each owner of Bonds.

(d) ***Receipt of Consents.*** Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of the owners or the owners of at least a majority in Outstanding Principal Amount of Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the

form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) ***Effect of Amendments.*** Upon the adoption by the Board of any resolution to amend this Fourteenth Supplement pursuant to the provisions of this Section, this Fourteenth Supplement shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Fourteenth Supplement, as amended.

(f) ***Consent Irrevocable.*** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of a majority in Outstanding Principal Amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) ***Ownership.*** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Registrar therefor. The Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar.

**Section 12. DEFEASANCE.** That in accordance with the provisions of Section 1207.033, Texas Government Code, the Board may call for redemption, at a date earlier than their scheduled maturities, those Bonds which have been defeased to their maturity date. Notwithstanding any other provision of this Fourteenth Supplement to the contrary, it is hereby provided that any determination not to redeem Bonds defeased under the terms of this Fourteenth Supplement that is made in conjunction with the payment arrangements specified in the Master Resolution shall not be irrevocable, provided that, in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call Bonds so defeased for redemption; (2) gives notice of the reservation of that right to the owners of the Bonds so defeased immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

**Section 13. FOURTEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY.** In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Fourteenth Supplement shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Bonds and the pledge made in this Fourteenth Supplement by the Board and the covenants and agreements set forth in this Fourteenth Supplement to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or

maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Fourteenth Supplement.

**Section 14. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

**Section 15. PAYMENT AND PERFORMANCE ON BUSINESS DAYS.** Except as provided to the contrary in the FORM OF BONDS, whenever under the terms of this Fourteenth Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

**Section 16. LIMITATION OF BENEFITS WITH RESPECT TO THE FOURTEENTH SUPPLEMENT.** With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Fourteenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Fourteenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Fourteenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Holders, and the Paying Agent/Registrar as herein and therein provided.

**Section 17. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE.**

(a) ***Submission of Proceedings to Attorney General.*** The Chief Financial Officer is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and approval by the Attorney General of the State of Texas of the proceedings authorizing the Bonds in accordance with Chapter 1371, Texas Government Code. The Chief Financial Officer is hereby authorized, to the extent deemed necessary or advisable thereby, in the discretion thereof, to request that the Attorney General approve the Bonds in accordance with the provisions of Chapter 1202, Texas Government Code, in which case the Chief Financial Officer also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The Board hereby authorizes the payment of the fee of the Attorney General for the examination of the proceedings relating to the issuance of the Bonds, in the amount determined in accordance with

the provisions of Section 1202.004, Texas Government Code. The approving legal opinion of bond counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to the Fourteenth Supplement is hereby adopted and made a part of this Fourteenth Supplement for all purposes.

**(b) Bond Insurance.** If authorized in a Pricing Resolution, the purchase of a municipal bond insurance policy from a municipal bond insurance provider that has an underlying rating of “AA” (or its equivalent) or better at the time a Bond Purchase Contract is executed (the “Bond Insurer”) as additional security for all or part of a series of Bonds is hereby authorized. The printing of a legend describing the municipal bond insurance policy issued by the Bond Insurer is hereby authorized. The payment of the premium to the Bond Insurer in consideration for the issuance of said policy, should one be so obtained, is hereby approved. The Insurance Commitment issued by the Bond Insurer shall be made a part hereof for all purposes. In addition, it is agreed that should such policy be obtained, the Board will comply with the conditions applicable to the Bonds, as set forth in the Insurance Commitment issued by the Bond Insurer, as if such conditions were incorporated in this Fourteenth Supplement, and will pay to the Paying Agent/Registrar for the Bonds the debt service due on the Bonds so insured by the Bond Insurer not later than one Business Day prior to each principal or interest payment date of the Bonds. In the event such policy is obtained, the Chief Financial Officer is hereby instructed to provide notice to the Bond Insurer in the event such payment is not made to the Paying Agent/Registrar on or before the Business Day before the scheduled principal or interest payment date; failure to make such payment to the Paying Agent/Registrar on or before the Business Day before the scheduled principal or interest payment date shall not constitute a default under the terms of this Fourteenth Supplement.

**Section 18. FURTHER PROCEDURES; OFFICIAL STATEMENT.** Each Board Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Fourteenth Supplement, the Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith, and to approve any Official Statement, or supplements thereto, in connection with the Bonds. The form of the Preliminary Official Statement relating to the Bonds, in substantially the form presented at this meeting, is hereby approved and deemed final for purposes of the Rule. The Chief Financial Officer is authorized to approve any supplement or modification to the Official Statement incorporating information as deemed material consistent with the requirements of the Rule and to authorize the distribution of such Official Statement to the Underwriters for their use in the sale of the Bonds to members of the general public. The use of such deemed final Official Statement in the offer and sale of the Bonds is hereby approved. Should the Chief Financial Officer be incapable of performing any of the duties and responsibilities set forth in this Fourteenth Supplement, any Board Representative may perform such duties and responsibilities. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature shall

nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

#### **Section 19. CONTINUING ONGOING DISCLOSURE.**

(a) **Annual Reports.** (i) The Board shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2012, financial information and operating data with respect to the Board of the general type included in the final Official Statement approved by Section 18 hereof, being the information described in **Exhibit C** hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the Board, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in **Exhibit C** hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation, and audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the Board will provide unaudited financial information of the type included in the Official Statement by the required time and audited financial statements when and if such audited financial statements become available. If audited financial statements are not prepared for any Fiscal Year and audited financial statements are prepared with respect to the State of Texas for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State of Texas for the applicable Fiscal Year to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of said Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor of the State of Texas. Any such audited financial statements of the State of Texas so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

(ii) If the Board changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

(iii) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

(b) **Notice of Certain Events.** The Board shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the Board, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material.

For these purposes, any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with this Section by the time required by this Section.

As used in this Section, the term “obligated person” shall mean any person, including the Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

(c) ***Filings with the MSRB.*** All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(d) ***Limitations, Disclaimers, and Amendments.*** (i) The Board shall be obligated to observe and perform the covenants specified in this Section with respect to the Board and the Bonds while, but only while, the Board remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice required by subsection (b) hereof of any Bond calls and defeasance that cause the Board to be no longer such an “obligated person”.

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the Board or the State of Texas or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

(iv) No default by the Board in observing or performing its obligations under this Section shall constitute a breach of or default under this Fourteenth Supplement for purposes of any other provision of this Fourteenth Supplement.

(v) Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board under federal and state securities laws.

(vi) Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule,

taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the Board if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the Board's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the Board so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

**Section 20. FEDERAL TAX COVENANTS.** The Board covenants to take any action to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the Board covenants as follows:

(a) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the projects financed or refinanced therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if lesser, \$15,000,000; and if more than such amount of the proceeds are so used, that amounts or revenues, whether or not received by the Board, allocable to such property, do not, under the terms of this Fourteenth Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, or if lesser, \$15,000,000 in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the "private business use" described in subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds or the projects financed therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less-amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;



(d) to refrain from taking any action which would otherwise result in the Bonds being treated as “private activity bonds” within the meaning of section 141(b) of the Code;

(e) to refrain from taking any action that would result in the Bonds being “federally guaranteed” within the meaning of section 149(b) of the Code;

(f) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(1) proceeds of the Bonds invested for a reasonable temporary period of three years or, in the case of a current refunding, of 90 days or less or, in the case of an advance refunding, of 30 days or less, until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the “Excess Earnings”, within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing clauses (a) and (b) above, the Board understands that the term “proceeds” includes “disposition proceeds” as defined in the Treasury Regulations and, in the case of a refunding bond, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of the issuance of the Bonds. It is the understanding of the Board that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the Board will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or

rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the Board agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve; the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of the foregoing, any Board Representative may execute any certificates or other reports required by the Code and to make such elections, on behalf of the Board, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with the above clause (h), a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such Rebate Fund shall not be subject to the claim of any other person, including without limitation the registered owners of the Bonds. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

#### **Section 21. ADDITIONAL TAX COVENANTS REGARDING USE OF PROPERTY.**

(a) *Allocation of, and Limitation on, Expenditures for the Project.* The Board covenants to account for the expenditure of proceeds from the sale of the Bonds and any investment earnings thereon to be used for the projects described in the certificate executed by the Chief Financial Officer in accordance with the provisions of Section 2(b) hereof (each such project referred to herein and subsection (b) of this Section 21 as a "Project") on its books and records by allocating proceeds to expenditures within 18 months of the later of the date that (a) the expenditure on a Project is made or (b) each such Project is completed. The foregoing notwithstanding, the Board shall not expend such proceeds or investment earnings more than 60 days after the later of (a) the fifth anniversary of the date of delivery of the Bonds or (b) the date the Bonds are retired, unless the Board obtains an opinion of nationally-recognized bond counsel substantially to the effect that such expenditure will not adversely affect the tax-exempt status of the Bonds.

(b) *Disposition of Project.* The Board covenants that the property constituting a Project will not be sold, or otherwise disposed in a transaction resulting in the receipt by the Board of cash or other compensation, unless the Board obtains an opinion of nationally-recognized bond counsel substantially to the effect that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of this subsection, the portion of the property comprising personal property and disposed of in the ordinary course of business shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes of this Section, the Board shall not be obligated to comply with this covenant if it obtains an opinion of nationally-recognized bond counsel to the effect that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

#### **Section 22. REFUNDING.**

(a) *Refunded Bonds.* The principal amount of Bonds, if any, issued to refund all or portion of the Refundable Bonds, and the Refunded Bonds to be refunded, shall be specifically identified in the Bond Purchase Contract. The Pricing Committee, acting for and on behalf of

the Board, may elect not to refund any or all of the obligations listed in Schedule I, but in no event shall the Bonds be issued for the purpose of refunding Refundable Bonds if the refunding of the aggregate principal amount of the obligations selected for refunding does not result in the minimum amount of savings established in Section 2(c) hereof being achieved. In the event Bonds are to be sold for the purpose of refunding all or a portion of the Refundable Bonds, then on or before the date of delivery of the Bonds the Chief Financial Officer shall execute and deliver to the Board a certificate stating that minimum amount of net present value resulting from the refunding of the Refunded Bonds herein established has been met or exceeded. The determination of the Pricing Committee, acting for and on behalf of the Board, relating to the issuance and sale of Bonds to refund all or a portion of the Refundable Bonds in such principal amount as provided in a Bond Purchase Contract shall have the same force and effect as if such determination were made by the Board. The Chief Financial Officer is hereby directed to effect the prior redemption of any of the Refunded Bonds identified in Schedule I should such debt obligations be refunded with the proceeds of the Bonds.

(b) *Refunded Commercial Paper Notes.* The principal amount of Bonds, if any, issued to refund Refunded Commercial Paper Notes shall be specifically identified in the Bond Purchase Contract. Concurrently with the delivery of the Bonds, proceeds in the amount of the principal amount of the Refunded Commercial Paper Notes that are to be refunded with a portion of the proceeds from the sale of the Bonds shall be deposited to the credit of the "Note Payment Fund", established in accordance with the provisions of the Fifth Supplement, to refund those Refunded Commercial Paper Notes designated by the Chief Financial Officer to be refunded and retired with a portion of the proceeds of the Bonds. The determination of the Pricing Committee, acting for and on behalf of the Board, relating to the issuance and sale of Bonds to refund Refunded Commercial Paper Notes in such principal amount as provided in a Bond Purchase Contract shall have the same force and effect as if such determination were made by the Board.

**Section 23. REDEMPTION OF REFUNDED BONDS.** The Chief Financial Officer is hereby authorized to take such actions, consistent with the resolutions authorizing the issuance of the Refunded Bonds, that may be required to redeem prior to their scheduled maturities any of the Refunded Bonds. It is hereby declared that upon the execution of the Bond Purchase Contract, the Chief Financial Officer may implement, on behalf of the Board, the redemption of any of the Refunded Bonds so designated in the Bond Purchase Contract, and that the redemption date for any of the Refunded Bonds shall be the first available call date provided for in the proceedings authorizing the issuance of any such Refunded Bonds.

**Section 24. ESCROW AGREEMENT.** The Board shall cause to be deposited with the Escrow Agent (as named in the hereinafter described Escrow Agreement) or directly with the paying agent for the Refunded Bonds, from the proceeds received from the sale of any series of Bonds and other available moneys of the Board, an amount sufficient to provide for the refunding of the Refunded Bonds in accordance with Chapter 1207, to the extent Bonds are sold for such purpose. If required to establish firm banking arrangements with respect to the Refunded Bonds, the Chief Financial Officer is hereby authorized, for and on behalf of the Board, to execute and deliver one or more Escrow Agreements or deposit agreements with respect to the refunding of the Refunded Bonds, in the form approved by the Pricing Committee, with such changes as the Chief Financial Officer deems necessary to effect the sale of the Bonds to the Underwriters.

**Section 25. REPEAL OF CONFLICTING RESOLUTIONS.** All resolutions and all parts of any resolutions (other than the Master Resolution) which are in conflict or inconsistent with this Fourteenth Supplement are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

**Section 26. RULES OF CONSTRUCTION.** For all purposes of this Fourteenth Supplement, unless the context requires otherwise, all references to designated Sections and other subdivisions are to the Sections and other subdivisions of this Fourteenth Supplement. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Fourteenth Supplement as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Fourteenth Supplement to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Fourteenth Supplement is adopted by the Board and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Fourteenth Supplement shall be deemed to include the payment of mandatory sinking fund redemption payments. Any reference to "FORM OF BOND" shall refer to the form of the Bonds set forth in **Exhibit B** to this Fourteenth Supplement.

**Section 27. PUBLIC NOTICE.** It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Fourteenth Supplement was adopted; that this Fourteenth Supplement would be introduced and considered for adoption at said meeting; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

## SCHEDULE I

### LIST OF REFUNDABLE BONDS

Any outstanding maturities of the following obligations:

#### TTUS Revenue Financing System Refunding & Improvement Bonds Ninth Series 2003

| <u>Original<br/>Dated Date</u> | <u>Original<br/>Maturity</u> | <u>Original<br/>Principal</u> | <u>Principal<br/>Outstanding</u> | <u>Call<br/>Date*</u> |
|--------------------------------|------------------------------|-------------------------------|----------------------------------|-----------------------|
| 9/1/2003                       | 2/15/2023                    | 97,265,000                    | 66,435,000                       | 8/15/2013             |

\*The 2014 - 2023 maturities may be redeemed prior to stated maturity on August 15, 2013 or any date thereafter at par plus accrued interest.

#### TTUS Revenue Financing System Bonds Seventh Series 2001

| <u>Original<br/>Dated Date</u> | <u>Original<br/>Maturity</u> | <u>Original<br/>Principal</u> | <u>Principal<br/>Outstanding</u> | <u>Call<br/>Date*</u> |
|--------------------------------|------------------------------|-------------------------------|----------------------------------|-----------------------|
| 1/1/2002                       | 8/15/2013                    | 126,865,000                   | 8,210,000                        | 2/15/2012             |

\*The 2012 - 2013 maturities may be redeemed prior to stated maturity on February 15, 2012 or any date thereafter at par plus accrued interest.

**SCHEDULE I**  
**(continued)**

**TTUS REVENUE FINANCING**  
**SYSTEM FUNDING NOTE THIRTEENTH SERIES (2008)**  
**(ASU)**

TTUS's obligation to make payments under the Thirteenth Series Note with respect to that portion of the following bonds attributable to ASU:

**Texas State University System**  
**Revenue Financing System Revenue and Refunding Bonds**  
**Series 2002**

| <b>Original<br/>Dated Date</b> | <b>Original<br/>Maturity</b> | <b>Original<br/>Principal</b> | <b>Amount<br/>Outstanding</b> | <b>Approximate<br/>Principal<br/>Attributable to<br/>ASU to be Called</b> | <b>Call<br/>Date*</b> |
|--------------------------------|------------------------------|-------------------------------|-------------------------------|---|-----------------------|
| 09/15/2002                     | 3/15/2022                    | 147,445,000                   | 10,060,000                    | 350,000   | 3/15/2012             |

\*The 2013 - 2022 maturities may be redeemed prior to stated maturity on March 15, 2012 or any date thereafter at par plus accrued interest.

## **SCHEDULE II**

### **ELIGIBLE PROJECTS**

The acquisition, purchase, construction, improvement, renovation, enlargement and/or equipping of property, buildings, structures, facilities, roads and related infrastructure of TTUS including the following facilities:

1. Jones Stadium East Side Expansion;
2. New Building for Rawls College of Business Administration;
3. Jones Stadium North End Zone Seating;
4. Jones Stadium Restroom and Concessions;
5. TTU Soccer Team Facility;
6. TTU Softball Team Facility;
7. TTU Student Union Building Expansion and Renovation;
8. TTU Boston and 18<sup>th</sup> Street Residence Hall and Dining Facility;
9. ASU Plaza Verde Residence Hall and Dining Facility;
10. ASU Recreational Center for Human Performance; and
11. ASU Henderson Library Information Commons.

## EXHIBIT A

### DEFINITIONS

As used in this Fourteenth Supplement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "*Acts*" shall mean, collectively, Chapter 55, Texas Education Code, Chapter 1207, Texas Government Code, and Chapter 1371, Texas Government Code.

The term "*Authorized Denominations*" shall mean Authorized Denominations as defined in Section 2 of this Fourteenth Supplement.

The term "*Board Representative*" shall mean the Chancellor TTUS, the Chief Financial Officer, or such other official of TTUS, TTU, ASU or the Health Sciences Center appointed by the Board to carry out the functions of the Board specified herein.

The term "*Bond Purchase Contract*" shall mean any bond purchase agreement, between the Board and the Underwriters pertaining to the purchase of any series of Bonds by the Underwriters.

The term "*Bonds*" shall mean the each series of Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Fourteenth Supplement; and the term "Bond" means any of the Bonds.

The term "*Business Day*" shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term "*Chief Financial Officer*" shall mean the Chief Financial Officer of TTUS so appointed by the Board or the Chancellor of TTUS.

The term "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

The term "*Commercial Paper Notes*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Commercial Paper Notes, Series A, issued pursuant to the provisions of the Master Resolution and the Fifth Supplement.

The term "*Concurrent Bonds*" shall mean the Fifteenth Series Bonds.

The term "*Designated Trust Office*" shall have the meaning ascribed to said term in Section 5(b) of this Fourteenth Supplement.

The term "*DTC*" shall mean The Depository Trust Company, New York, New York, or any successor securities depository.



The term “*DTC Participant*” shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term “*Eighth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Eighth Series (Taxable 2001) authorized by the Eighth Supplement.

The term “*Eighth Supplement*” shall mean the resolution adopted by the Board on November 2, 2001, authorizing the Eighth Series Bonds.

The term “*Eleventh Supplement*” shall mean the resolution adopted by the Board on October 11, 2007, designating ASU as a Participant in the Financing System.

The term “*Escrow Agent*” shall mean the banking institution named in the Escrow Agreement and chosen in a manner consistent with the legal requirements set forth in Chapter 1207, Texas Government Code.

The term “*Escrow Agreement*” shall mean one or more escrow agreements between the Board and the Escrow Agent, dated as of date of the Bond Purchase Contract, and executed for the benefit of the owners and holders of the Refunded Bonds.

The term “*Fifteenth Series Bonds*” shall mean the Board of Regents of Texas Tech University System Revenue Financing System Refunding Bonds, Fifteenth Series (Taxable 2012B) authorized by the Fifteenth Supplement.

The term “*Fifteenth Supplement*” shall mean the resolution adopted by the Board on December 16, 2011, authorizing the Fifteenth Series Bonds.

The term “*Fifth Supplement*” shall mean the amended and restated fifth supplemental resolution adopted by the Board on August 8, 2008, authorizing the Commercial Paper Notes.

The term “*First Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding Bonds, First Series (1993) authorized by the First Supplement.

The term “*First Supplement*” shall mean the resolution adopted by the Board on October 21, 1993, authorizing the First Series Bonds.

The term “*Fourteenth Series Bonds*” shall mean the Bonds, in one or more designated series, as authorized by this Fourteenth Supplement.

The term “*Fourteenth Supplement*” shall mean this Fourteenth Supplemental Resolution adopted by the Board on December 16, 2011, authorizing the sale of the Bonds.

The term "*Fourth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Fourth Series (Taxable 1996) authorized by the Fourth Supplement.

The term "*Fourth Supplement*" shall mean the resolution adopted by the Board on November 8, 1996, authorizing the Fourth Series Bonds.

The term "*Issuance Date*" shall mean the date of delivery the Bonds to the Underwriters against payment therefor.

The term "*MAC*" shall mean the Municipal Advisory Council of Texas.

The term "*Master Resolution*" shall mean the Master Resolution Establishing The Revenue Financing System under the Authority and Responsibility of the Board of Regents of Texas Tech University, adopted by the Board on October 21, 1993, as amended on November 8, 1996 and on August 22, 1997.

The term "*Maturity*" shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, declaration of acceleration, or otherwise.

The term "*MSRB*" shall mean the Municipal Securities Rulemaking Board.

The term "*Ninth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Ninth Series (2003) authorized by the Ninth Supplement.

The term "*Ninth Supplement*" shall mean the resolution adopted by the Board on August 8, 2003, authorizing the sale of the Ninth Series Bonds.

The term "*Parity Obligations*" shall mean, collectively, the First Series Bonds, the Second Series Bonds, the Third Series Bonds, the Fourth Series Bonds, the Commercial Paper Notes, the Sixth Series, the Seventh Series Bonds, the Eighth Series Bonds, the Ninth Series Bonds, the Tenth Series Bonds, the Twelfth Series Bonds, the Thirteenth Series Note and, when delivered, the Fourteenth Series Bonds and the Concurrent Bonds. The First Series Bonds, the Second Series Bonds, the Third Series Bonds, the Fourth Series Bonds and the Sixth Series Bonds are no longer outstanding as of the date the Fourteenth Supplement was adopted.

The terms "*Paying Agent/Registrar*", "*Paying Agent*" or "*Registrar*" shall mean the agent appointed pursuant to Section 5 of this Fourteenth Supplement, or any successor to such agent.

The term "*Pricing Committee*" shall mean the Chancellor, the Chief Financial Officer and the following Members of the Board: John T. Huffaker, Larry K. Anders and John F. Scovell.

The term "*Pricing Resolution*" shall mean the resolution adopted by the Pricing Committee in accordance with Section 3(b) of this Fourteenth Supplement.

The term “*Record Date*” shall mean, with respect to the Bonds, the last business day of each month preceding an interest payment date.

The term “*Refundable Bonds*” shall mean those debt obligations identified in Schedule I to this Fourteenth Supplement.

The term “*Refunded Bonds*” shall mean those Refundable Bonds identified in the Bond Purchase Contract to be refunded with proceeds from the sale of an issuance of the Bonds.

The term “*Refunded Commercial Paper Notes*” shall have the meaning ascribed to said term in the preamble to this Fourteenth Supplement.

The term “*Registration Books*” shall mean the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Fourteenth Supplement.

The term “*Regulations*” shall mean all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

The term “*Rule*” shall mean SEC Rule 15c2-12, as amended from time to time.

The term “*SEC*” shall mean the United States Securities and Exchange Commission.

The term “*Second Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Second Series (1995) authorized by the Second Supplement.

The term “*Second Supplement*” shall mean the Second Supplement adopted by the Board on February 10, 1995, authorizing the sale of the Second Series Bonds.

The term “*Seventh Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Seventh Series (2001) authorized by the Seventh Supplement.

The term “*Seventh Supplement*” shall mean the resolution adopted by the Board on November 2, 2001, authorizing the Seventh Series Bonds.

The term “*Sixth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Sixth Series (1999) authorized by the Sixth Supplement.

The term “*Sixth Supplement*” shall mean the amended and restated resolution adopted by the Board on February 12, 1999, authorizing the sale of the Sixth Series Bonds.

The term “*Stated Maturity*” shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption of the Bonds.

The term "*Tenth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Tenth Series (2006) authorized by the Tenth Supplement.

The term "*Tenth Supplement*" shall mean the resolution adopted by the Board on December 16, 2005, authorizing the sale of the Tenth Series Bonds.

The term "*Third Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Third Series (1996) authorized by the Third Supplement.

The term "*Third Supplement*" shall mean the resolution adopted by the Board on November 8, 1996, authorizing the sale of the Third Series Bonds.

The term "*Thirteenth Series Note*" shall mean the note, in one or more designated series, as authorized by the Thirteenth Supplement.

The term "*Thirteenth Supplement*" shall mean the resolution adopted by the Board on September 12, 2008, authorizing the sale of the Thirteenth Series Note.

The term "TTUS" shall mean the Texas Tech University System, under the governance of the Board.

The term "*Twelfth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2008) authorized by the Twelfth Supplement.

The term "*Twelfth Supplement*" shall mean the resolution adopted by the Board on August 8, 2008, authorizing the sale of the Twelfth Series Bonds.

The term "*Underwriters*" shall have the meaning ascribed to said term in Section 3(b) of this Fourteenth Supplement.

All terms not herein defined shall have the meanings given to said terms by the Master Resolution or as otherwise defined in this Fourteenth Supplement.

**EXHIBIT B**

**FORM OF BONDS**

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM  
REVENUE FINANCING SYSTEM  
REFUNDING AND IMPROVEMENT BOND,  
FOURTEENTH SERIES (2012A)

NO. R-\_\_

PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP</u> |
|----------------------|----------------------|------------------|--------------|
| %                    | _____, 20__          | _____, 20__      |              |

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner, specified above, or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount, specified above, and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Bond Date, specified above, to the Maturity Date, specified above, or the date of redemption prior to maturity, at the interest rate per annum, specified above; with interest being payable on \_\_\_\_\_ 15, 20\_\_, and semiannually on each February 15 and August 15 thereafter, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges, solely from funds of the Issuer required by the resolution authorizing the issuance of the Bonds to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, initially at the corporate trust

office in \_\_\_\_\_, Texas, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the "Designated Trust Office") of \_\_\_\_\_, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; provided, that upon the written request of any owner of not less than \$1,000,000 in principal amount of Bonds provided to the Paying Agent/Registrar not later than the Record Date immediately preceding an interest payment date, interest due on such Bonds on such interest payment date shall be made by wire transfer to any designated account within the United States of America. In addition, interest may be paid by such other method, as shall be acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the Designated Trust Office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Issuer and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution (hereinafter defined).

THIS BOND is one of a series of bonds authorized in the aggregate principal amount of \$\_\_\_\_\_ pursuant to a Fourteenth Supplemental Resolution to the Master Resolution adopted December 16, 2011, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") ***FOR THE PURPOSE OF (i) ACQUIRING, PURCHASING, CONSTRUCTING, IMPROVING, RENOVATING, ENLARGING OR EQUIPPING PROPERTY, BUILDINGS, STRUCTURES, FACILITIES, ROADS, OR RELATED INFRASTRUCTURE FOR TTUS, (ii) REFUNDING THE REFUNDED BONDS, (iii) REFUNDING THE REFUNDED COMMERCIAL PAPER NOTES AND (iv) PAYING THE COSTS RELATED THERETO.***

ON February 15, 20\_\_\_\_\_, or on any date thereafter, the Bonds of this series scheduled to mature on and after February 15, 20\_\_\_\_\_ may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portion thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the par value thereof and accrued-interest to the date fixed for redemption; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be

redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.

BONDS MATURING February 15, 20\_\_\_\_ are "Term Bonds" and are subject to mandatory redemption at a price equal to the principal amount to be so redeemed and accrued and unpaid interest to the date of redemption, to-wit:

Said Bonds shall be redeemed in part by lot prior to maturity on February 15, 20\_\_\_\_, in the amounts designated below, to-wit:

| <u>Years</u> | <u>Amounts</u> |
|--------------|----------------|
|--------------|----------------|

\* Maturity

THE ISSUER shall redeem Term Bonds by lot, or purchase in the open market Bonds of the same maturity. The Board shall effect the retirement of the Term Bonds required to be retired by mandatory redemption, by either redemption in accordance herewith or prior purchase for cancellation in the open market at a price not exceeding the redemption price. To the extent that Term Bonds have been previously purchased for cancellation or redeemed other than pursuant to a sinking fund redemption payment, each sinking fund payment amount for such Term Bonds shall be reduced, to the extent practicable, by the amount obtained by multiplying the principal amount of such Term Bonds so purchased or redeemed by the ratio which each remaining sinking fund payment amount of such maturity bears to the total remaining sinking fund payment amounts of such maturity, and by rounding each such sinking fund payment amount to the nearest \$5,000 integral multiple. On the maturity date of any Term Bonds, the Board shall effect the payment of the principal of maturing Term Bonds. The foregoing notwithstanding, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, the particular Bonds to be so redeemed shall be selected in accordance with the arrangements between the Board and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out

of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, payable in the same manner, in any authorized denomination at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in The City of New York, New York, or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or exchange as provided below, but the one requesting such transfer or exchange shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration or exchange of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and, to the extent permitted by law, the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the



registered owner or the assignee or assignees hereof, be exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same form, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering, or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that the Series of Bonds of which this Bond is one constitute Parity Obligations under the Bond Resolution; and that the interest on and principal of this Bond, together with the other Bonds of this Series and the other outstanding Parity Obligations are equally and ratably secured by and payable from a lien on and pledge of the Pledged Revenues, subject only to the provisions of, and the lien on and pledge of certain Pledged Revenues to, any outstanding Prior Encumbered Obligations.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional Parity Obligations which also may be secured by and made payable from a lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the provisions of the Bond Resolution under the conditions provided in the Bond Resolution.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chair or Vice Chair of the Issuer and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

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Secretary/Assistant Secretary  
Board of Regents of  
Texas Tech University System

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Chair/Vice Chair  
Board of Regents of  
Texas Tech University System

(SEAL)

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated \_\_\_\_\_  
\_\_\_\_\_  
Paying Agent/Registrar

**FORM OF REGISTRATION CERTIFICATE OF COMPTROLLER  
OF PUBLIC ACCOUNTS TO ACCOMPANY THE BONDS  
UPON INITIAL DELIVERY**

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO. \_\_\_\_\_

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond and the proceedings authorizing its issuance have been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

**FORM OF ASSIGNMENT**

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

/ \_\_\_\_\_ /

(Assignee's Social Security or Taxpayer Identification Number)

\_\_\_\_\_  
(print or typewrite Assignee's name and address, including zip code)

\_\_\_\_\_  
and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond, company.

## **EXHIBIT C**

### **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION OF THE BOARD**

The following information is referred to in Section 19 of this Resolution.

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Board to be provided annually in accordance with such Section are the quantitative financial information and operating data pertaining to the Board included in the Official Statement under the caption "DEBT SERVICE REQUIREMENTS", the subcaptions to the caption "TEXAS TECH UNIVERSITY SYSTEM" in Appendix A to the Official Statement entitled "- General Description - Enrollment", "- Admissions and Matriculation", "- Financial Management" and "- Selected Financial Information" and in Appendix B to the Official Statement entitled "TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT".

#### **Accounting Principles**

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state law or regulation.

**Approved 12/16/2011**

**FIFTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION  
AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS  
OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM  
REFUNDING BONDS, FIFTEENTH SERIES (TAXABLE 2012B) AND APPROVING  
AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**

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**FIFTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, FIFTEENTH SERIES (TAXABLE 2012B) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**

WHEREAS, on October 21, 1993, the Board of Regents of Texas Tech University (now known as the Board of Regents of Texas Tech University System, and herein referred to either as the "Board" or the "Issuer"), acting separately and independently for and on behalf of Texas Tech University ("TTU") and separately and independently for and on behalf of Texas Tech University Health Sciences Center (the "Health Sciences Center"), adopted a resolution establishing the "Revenue Financing System", which resolution, together with the resolutions adopted November 8, 1996 and on August 22, 1997, is referred to herein as the "Master Resolution"; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of TTU and the Health Sciences Center, and pledges the Pledged Revenues to the payment of Parity Obligations to be outstanding under the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, FIRST SERIES (1993) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "First Supplement") and pursuant to the First Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING BONDS, FIRST SERIES (1993)"*** in the aggregate principal amount of \$46,420,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SECOND SERIES (1995) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Second Supplement") and pursuant to the Second Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, SECOND SERIES (1995)"*** in the aggregate principal amount of \$25,000,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND**

**IMPROVEMENT BONDS, THIRD SERIES (1996) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**" (defined as the "Third Supplement") and pursuant to the Third Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, THIRD SERIES (1996)"*** in the aggregate principal amount of \$71,285,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, FOURTH SERIES (TAXABLE 1996) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Fourth Supplement") and pursuant to the Fourth Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM BONDS, FOURTH SERIES (TAXABLE 1996)"*** in the aggregate principal amount of \$7,380,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board is adopting contemporaneously herewith an **"AMENDED AND RESTATED FIFTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION ESTABLISHING THE REVENUE FINANCING SYSTEM COMMERCIAL PAPER PROGRAM AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO "** (defined as the "Fifth Supplement") and pursuant to the Fifth Supplement to the Master Resolution has the authority to issue at any one time outstanding up to \$150,000,000 in aggregate principal amount of its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES A"*** as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted an **"AMENDED AND RESTATED SIXTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SIXTH SERIES (1999) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Sixth Supplement") and pursuant to the Sixth Supplement to the Master Resolution issued its ***"BOARD OF REGENTS OF TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, SIXTH SERIES (1999)"*** in the aggregate principal amount of \$115,100,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **"RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, SEVENTH SERIES (2001) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO"** (defined as the "Seventh Supplement") and pursuant to the Seventh Supplement to the Master Resolution issued its ***"BOARD OF***

***REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, SEVENTH SERIES (2001)***” in the aggregate principal amount of \$126,865,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, EIGHTH SERIES (TAXABLE 2001) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Eighth Supplement”) and pursuant to the Eighth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM BONDS, EIGHTH SERIES (TAXABLE 2001)”*** in the aggregate principal amount of \$42,810,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, NINTH SERIES (2003) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Ninth Supplement”) and pursuant to the Ninth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, NINTH SERIES (2003)”*** in the aggregate principal amount of \$97,265,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TENTH SERIES (2006) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Tenth Supplement”) and pursuant to the Tenth Supplement to the Master Resolution issued its ***“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TENTH SERIES (2006)”*** in the aggregate principal amount of \$220,915,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Texas Legislature (80<sup>th</sup> Regular Session) passed H.B. 3564 (“HB 3564”), and pursuant to HB 3564, the governance, control, management and property of Angelo State University (“ASU”) were transferred from the Board of Regents of the Texas State University System (“TSUS”) to the Board, effective September 1, 2007; and

WHEREAS, the Board heretofore has adopted an **“ELEVENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING AND DESIGNATING ANGELO STATE UNIVERSITY AS A PARTICIPANT IN THE TEXAS TECH UNIVERSITY REVENUE FINANCING SYSTEM”** (defined as the “Eleventh Supplement”) and pursuant to the Eleventh Supplement to the Master Resolution the Board

designated ASU as a Participant in the Financing System under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“TWELFTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TWELFTH SERIES (2008) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Twelfth Supplement”) and pursuant to the Twelfth Supplement to the Master Resolution issued its **“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING AND IMPROVEMENT BONDS, TWELFTH SERIES (2008)”** in an aggregate principal amount not to exceed of \$295,000,000 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Board heretofore has adopted a **“THIRTEENTH SUPPLEMENTAL RESOLUTION TO THE MASTER RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING NOTE, THIRTEENTH SERIES (2008) AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO”** (defined as the “Thirteenth Supplement”) and pursuant to the Thirteenth Supplement to the Master Resolution issued its **“BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING NOTE, THIRTEENTH SERIES (2008)”** in an aggregate principal amount not to exceed of \$53,015,658 as Parity Obligations under the terms of the Master Resolution; and

WHEREAS, the Parity Obligations issued pursuant to the First Supplement, Second Supplement, Third Supplement, Fourth Supplement, and the Sixth Supplement are no longer outstanding; and

WHEREAS, the Board reserved the right under the terms of the Master Resolution to issue obligations on a parity with the outstanding Parity Obligations; and

WHEREAS, the Board hereby determines that it is in the best interest of the Revenue Financing System to refund all or certain of the outstanding debt obligations listed in **Schedule I** to this Fifteenth Supplement, determined in accordance with the provisions of this Fifteenth Supplement (herein defined as the “Refundable Bonds”), in order to achieve a present value savings to the Revenue Financing System; and

WHEREAS, the bonds authorized to be issued by this Fifteenth Supplement (the “Bonds”) are to be issued and delivered pursuant to Chapter 55, Texas Education Code, Chapter 1207, Texas Government Code, Chapter 1371, Texas Government Code, and other applicable laws; and

WHEREAS, the bonds hereinafter authorized are being issued concurrently with other bonds of the Board (herein defined as the “Concurrent Bonds”), all which constitute Parity Obligations; and

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

**Section 1. DEFINITIONS.** In addition to the definitions set forth in the preamble of this Fifteenth Supplement, the terms used in this Fifteenth Supplement (except in the FORM OF BONDS) and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit "A" to this Fifteenth Supplement attached hereto and made a part hereof.

**Section 2. AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS.**

(a) *Maximum Amount Authorized.* The "**BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM REVENUE FINANCING SYSTEM REFUNDING BONDS, FIFTEENTH SERIES (TAXABLE 2012B)**" are hereby authorized to be issued in one or more series and delivered in an aggregate principal amount not to exceed **\$30,000,000 FOR THE PURPOSE OF (i) REFUNDING THE REFUNDED BONDS AND (ii) PAYING THE COSTS RELATED THERETO.**

(b) *Refunding Bonds Authorization.* The Bonds authorized for the purposes described in clause (ii) of subsection (a) of this Section are being issued by the Board under authority of Chapter 55, Texas Education Code, particularly Section 55.19 thereof, and Chapter 1207, Texas Government Code. The refunding of the Refunded Bonds shall be accomplished in a manner that will result in a target present value savings of at least two percent (2%) of the Refunded Bonds identified in Schedule I being achieved. Such savings constitutes a public purpose.

**Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS.**

(a) *Terms of Bonds.* Initially there shall be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, numbered consecutively from R-1 upward, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the "Registered Owner"), in the denomination of \$5,000 or any integral multiple thereof (an "Authorized Denomination"), maturing not later than August 15, 2032, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as determined in the manner provided below. The foregoing notwithstanding, (i) the price to be paid for the Bonds shall not be less than 95% of the aggregate principal amount thereof, (ii) none of the Bonds shall bear interest at a rate greater than 10% per annum, and (iii) the Bonds shall not be delivered unless (A) the Bonds have been rated "AA-" or better (or its equivalent) by a nationally recognized rating agency for municipal securities, or (B) the Bonds shall be approved by the Texas Bond Review Board.

(b) *Method of Sale of the Bonds.* As authorized by Chapter 1371, Texas Government Code, the Pricing Committee is hereby authorized, appointed, and designated to act on behalf of the Board in the selling and delivering the Bonds in one or more series. The Chief Financial Officer is directed to select, on behalf of the Board, the senior managing underwriter and the other investment banking firms comprising the underwriting syndicate (such firms,

together with the senior managing underwriter, are hereafter collectively referred to as the "Underwriters") to assure that the Bonds are sold on the most advantageous terms to the Board. The Chief Financial Officer is directed to negotiate with the Underwriters all matters relating to the sale of the Bonds, including determining and fixing the date of the Bonds, the number of series, any additional designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the years in which the Bonds will mature, the principal amount to mature in each of such years, and the aggregate principal amount of the Bonds or any series thereof, the principal amount of each series of Bonds, if any, to be issued to fund the projects to be described by the certificate executed by the Chief Financial Officer in accordance with Section 2(b) hereof, the principal amount of each series of Bonds, if any, to be issued to refund the Refunded Bonds, as described in Section 2(c) hereof, the rate or rates of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Board, as well as any mandatory sinking fund redemption provisions, and all other matters relating to the issuance, sale, and delivery of each series of Bonds, including, without limitation, the possible use of municipal bond insurance for any series of Bonds and the use or uses of premium, if any, received as a part of the purchase price for Bonds. The actual sale of each series of Bonds, and the Bond Purchase Contract setting forth the terms of the sale of each series of Bonds negotiated by the Chief Financial Officer, shall be approved by a resolution to be adopted by the Pricing Committee. In establishing the aggregate principal amount of each series of Bonds authorized hereunder, the Pricing Committee shall establish an amount such that the aggregate of all series of Bonds issued under this delegation shall not exceed the amount authorized in Section 2(a) hereof. Any finding or determination made by the Pricing Committee, acting under the authority granted by this Fifteenth Supplement, in adopting a Pricing Resolution shall have the same force and effect as if made by the Board. The form of the Bond Purchase Contract in substantially the form presented at this meeting is hereby approved for use in each issuance of Bonds hereunder. The Chief Financial Officer is authorized to sign each Bond Purchase Contract in the final form approved by the Pricing Committee. The authority hereby granted by the Board to the Pricing Committee expires at 5:00 p.m., June 14, 2012.

(c) ***In General.*** The Bonds (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BONDS, with such changes and additions as are necessary to conform the FORM OF BONDS to the terms of the sale of the Bonds contained in the Bond Purchase Contract.

**Section 4. INTEREST.** The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS to their respective dates of maturity at the rates approved by the Pricing Committee.

**Section 5. REGISTRATION, TRANSFER, AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY ONLY SYSTEM.**

(a) ***Paying Agent/Registrar.*** BOKF, NA, dba Bank of Texas is hereby appointed as Paying Agent/Registrar for the Bonds. The Chief Financial Officer is authorized to enter into



and carry out a Paying Agent/Registrar Agreement with the Paying Agent/Registrar with respect to the Bonds in substantially the form presented at this meeting.

(b) **Registration Books.** The Issuer shall keep or cause to be kept at the corporate trust office designated in the Paying Agent/Registrar Agreement (the "Designated Trust Office") books or records for the registration of the transfer, exchange, and replacement of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Issuer and the Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Issuer shall have the right to inspect the Registration Books at the Designated Trust Office of the Paying Agent/Registrar during regular business hours, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(c) **Ownership of Bonds.** The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Fifteenth Supplement, whether or not such Bond shall be overdue, and, to the extent permitted by law, the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(d) **Payment of Bonds and Interest.** The Paying Agent/Registrar shall further act as the paying agent for paying the principal of, premium, if any, and interest on the Bonds, all as provided in this Fifteenth Supplement. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds.

(e) **Authentication.** The Bonds initially issued and delivered pursuant to this Fifteenth Supplement shall be authenticated by the Paying Agent/Registrar by execution of the Paying Agent/Registrar's Authentication Certificate (the "Authentication Certificate") unless they have been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Fifteenth Supplement the Paying Agent/Registrar shall execute the Authentication Certificate. The Authentication Certificate shall be in the form set forth in the FORM OF BONDS.

(f) **Transfer, Exchange, or Replacement.** Each Bond issued and delivered pursuant to this Fifteenth Supplement, to the extent of the unpaid or unredeemed principal amount thereof, may, upon surrender of such Bond at the Designated Trust Office of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or

assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BONDS, in any Authorized Denomination (subject to the requirement hereinafter stated that each substitute Bond shall be of the same series and have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation. If any Bond or portion thereof is assigned and transferred, each Bond issued in exchange therefor shall have the same series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/Registrar shall exchange or replace Bonds as provided herein, and each fully registered bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Fifteenth Supplement shall constitute one of the Bonds for all purposes of this Fifteenth Supplement, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement of any Bond or Bonds issued under this Fifteenth Supplement, the Authentication Certificate shall be printed thereon. An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Authentication Certificate, and, except as provided in subsection (e) of this Section, no such Bond shall be deemed to be issued or outstanding unless the Authentication Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Issuer or any other body or person so as to accomplish the foregoing transfer, exchange, or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be in typed or printed form as determined by a Board Representative. Pursuant to Chapter 1206, Texas Government Code, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to this Fifteenth Supplement. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring and exchanging any Bond or any portion thereof, but the one requesting any such transfer and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following interest payment date, or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. To

the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be cancelled and the written request as described above.

(g) ***Substitute Paying Agent/Registrar.*** The Issuer covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the Issuer will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent/Registrar for the Bonds under this Fifteenth Supplement, and that the Paying Agent/Registrar will be one entity. The Issuer reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Issuer covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Fifteenth Supplement. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Issuer. Upon any change in the Paying Agent/Registrar, the Issuer promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Fifteenth Supplement, and a certified copy of this Fifteenth Supplement shall be delivered to each Paying Agent/Registrar.

(h) ***Book-Entry Only System.*** The Bonds issued in exchange for the Bonds initially issued and delivered to the Underwriters shall be issued in the form of a separate single fully registered Bond for each of the maturities thereof registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC. A "Blanket DTC Letter of Representations" in connection with utilizing the DTC Book-Entry Only System has been executed by a Board Representative and filed with DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of,

premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Fifteenth Supplement to the contrary but to the extent permitted by law, the Board and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Fifteenth Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Fifteenth Supplement. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Fifteenth Supplement with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Fifteenth Supplement shall refer to such new nominee of DTC.

**(i) *Successor Securities Depository; Transfers Outside Book-Entry Only System.***

In the event that the Board or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC described in subsection (h) of this Section or DTC determines to discontinue providing its services with respect to the Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging Bonds shall designate, in accordance with the provisions of this Fifteenth Supplement.

**(j) *Payments to Cede & Co.*** Notwithstanding any other provision of this Fifteenth Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Board to DTC referred to in subsection (f) of this Section.

**(k) *Notice of Redemption.*** The Paying Agent/Registrar shall give notice of redemption of Bonds by United States mail, first-class postage prepaid, at least thirty (30) days prior to a redemption date to each registered securities depository and to any national

information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

Each notice of redemption, whether required in the FORM OF BONDS or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the series, the date of issue, the interest rate, the maturity date, the CUSIP number, the amounts of maturity so called for redemption, the mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

**Section 6. FORM OF BONDS.** The forms of the Bonds, including the form of the Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas, with respect to the Bonds initially issued and delivered to the Underwriters pursuant to this Fifteenth Supplement, shall be, respectively, substantially as set forth in **Exhibit B**, with such appropriate variations, omissions, or insertions as are permitted or required by this Fifteenth Supplement.

**Section 7. ESTABLISHMENT OF FINANCING SYSTEM AND ISSUANCE OF PARITY OBLIGATIONS.** By adoption of the Master Resolution, the Board has established the Revenue Financing System for the purpose of providing a financing structure for revenue supported indebtedness of Participants in the Financing System. The Master Resolution is intended to establish a master plan under which revenue supported debt of the Financing System can be incurred. This Fifteenth Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of the Bonds which are the Fifteenth series of Parity Obligations issued under the terms of the Master Resolution. The Master Resolution is incorporated herein by reference and as such made a part hereof for all purposes, except to the extent modified and supplemented hereby, and the Bonds are hereby declared to be Parity Obligations under the Master Resolution. As required by Section 5 (a) of the Master Resolution, the Board hereby determines, in connection with the issuance of the Bonds, that it will have sufficient funds to meet the financial obligations of each participant in the Financing System (currently TTU, ASU and the Health Sciences Center), including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System. Furthermore, the Board hereby determines that TTU, ASU and the Health Sciences Center each possess the financial capability to satisfy its respective Direct Obligation after taking into account the payment of the Annual Debt Service Requirements on the Bonds.

**Section 8. SECURITY AND PAYMENTS.** The Bonds are special obligations of the Board payable from and secured solely by the Pledged Revenues pursuant to the Master Resolution and this Fifteenth Supplement. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, if any, to the payment of the principal of, premium, if any, and interest on the Bonds as the same shall become due and payable. The Board agrees to pay the principal of, premium, if any, and the interest on the Bonds when due, whether by reason of maturity or redemption.

**Section 9. PAYMENTS TO PAYING AGENT/REGISTRAR.** Semiannually on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for the Bonds, the Board shall make available to the Paying Agent/Registrar, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

**Section 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.**

(a) ***Replacement Bonds.*** In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same Series, principal amount, maturity, and interest rate, and in the same form, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) ***Application for Replacement Bonds.*** Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Issuer and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the Issuer and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) ***Payment in Lieu of Replacement.*** Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bond, the Issuer may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) ***Charge for Issuing Replacement Bonds.*** Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or

destroyed shall constitute a contractual obligation of the Issuer whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Fifteenth Supplement equally and proportionately with any and all other Bonds duly issued under this Fifteenth Supplement.

(e) ***Authority for Issuing Replacement Bonds.*** In accordance with Chapter 1206, Texas Government Code, this Section shall constitute authority for the issuance of any such replacement bond without the necessity of further action by the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(f) hereof for Bonds issued in exchange and replacement for other Bonds.

#### **Section 11. AMENDMENT OF SUPPLEMENT.**

(a) ***Amendments Without Consent.*** This Fifteenth Supplement and the rights and obligations of the Board and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Parity Obligations, solely for any one or more of the following purposes:

(i) To add to the covenants and agreements of the Board contained in this Fifteenth Supplement, other covenants and agreements thereafter to be observed, or to surrender any right or power reserved to or conferred upon the Board in this Fifteenth Supplement;

(ii) To cure any ambiguity or inconsistency, or to cure or correct any defective provisions contained in this Fifteenth Supplement, upon receipt by the Board of an opinion of nationally-recognized bond counsel, that the same is needed for such purpose, and will more clearly express the intent of this Fifteenth Supplement;

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds;

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Obligations, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Parity Obligations;

(v) To make such changes, modifications or amendments as are permitted by Section 19(d)(vi) of this Fifteenth Supplement;

(vi) To make such changes, modifications or amendments as may be necessary or desirable, which shall not adversely affect the interests of the owners of the Outstanding Parity Obligations, in order, to the extent permitted by law, to facilitate the

economic and practical utilization of Credit Agreements with respect to the Parity Obligations; or

(vii) To make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of Outstanding Parity Obligations.

Notice of any such amendment may be published by the Board in the manner described in subsection (c) of this Section; provided, however, that the publication of such notice shall not constitute a condition precedent to the adoption of such amendatory resolution and the failure to publish such notice shall, not adversely affect the implementation of such amendment as adopted pursuant to such amendatory resolution.

**(b) Amendments With Consent.** Subject to the other provisions of this Fifteenth Supplement, the owners of Outstanding Bonds aggregating a majority in Outstanding Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in subsection (a) of this Section, to this Fifteenth Supplement which may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the Outstanding Bonds, the amendment of the terms and conditions in this Fifteenth Supplement or in the Bonds so as to:

- (i) Make any change in the maturity of the Outstanding Bonds;
- (ii) Reduce the rate of interest borne by Outstanding Bonds;
- (iii) Reduce the amount of the principal payable on Outstanding Bonds;
- (iv) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (v) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (vi) Change the minimum percentage of the Outstanding Principal Amount of Bonds necessary for consent to such amendment.

**(c) Notice.** If at any time the Board shall desire to amend this Fifteenth Supplement other than pursuant to subsection (a) of this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each owner of Bonds.

**(d) Receipt of Consents.** Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by all of



the owners or the owners of at least a majority in Outstanding Principal Amount of Bonds, as appropriate, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(e) ***Effect of Amendments.*** Upon the adoption by the Board of any resolution to amend this Fifteenth Supplement pursuant to the provisions of this Section, this Fifteenth Supplement shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then Outstanding Bonds and all future Bonds shall thereafter be determined, exercised, and enforced under the Master Resolution and this Fifteenth Supplement, as amended.

(f) ***Consent Irrevocable.*** Any consent given by any owner of Bonds pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same Bonds during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Registrar and the Board, but such revocation shall not be effective if the owners of a majority in Outstanding Principal Amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) ***Ownership.*** For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Registrar therefor. The Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar.

**Section 12. DEFEASANCE.** That in accordance with the provisions of Section 1207.033, Texas Government Code, the Board may call for redemption, at a date earlier than their scheduled maturities, those Bonds which have been defeased to their maturity date. Notwithstanding any other provision of this Fifteenth Supplement to the contrary, it is hereby provided that any determination not to redeem Bonds defeased under the terms of this Fifteenth Supplement that is made in conjunction with the payment arrangements specified in the Master Resolution shall not be irrevocable, provided that, in the proceedings providing for such payment arrangements, the Board (1) expressly reserves the right to call Bonds so defeased for redemption; (2) gives notice of the reservation of that right to the owners of the Bonds so defeased immediately following the making of the payment arrangements; and (3) directs that notice of the reservation be included in any redemption notices that it authorizes.

**Section 13. FIFTEENTH SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY.** In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Fifteenth Supplement shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Bonds and the pledge made in this Fifteenth Supplement by the Board and the covenants and agreements set forth in this Fifteenth Supplement to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all

Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Fifteenth Supplement.

**Section 14. SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements, or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

**Section 15. PAYMENT AND PERFORMANCE ON BUSINESS DAYS.** Except as provided to the contrary in the FORM OF BONDS, whenever under the terms of this Fifteenth Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

**Section 16. LIMITATION OF BENEFITS WITH RESPECT TO THE FIFTEENTH SUPPLEMENT.** With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Fifteenth Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Holders, and the Paying Agent/Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Fifteenth Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Fifteenth Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Holders, and the Paying Agent/Registrar as herein and therein provided.

**Section 17. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE.**

(a) ***Submission of Proceedings to Attorney General.*** The Chief Financial Officer is hereby authorized to have control of the Bonds issued hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and approval by the Attorney General of the State of Texas of the proceedings authorizing the Bonds in accordance with Chapter 1371, Texas Government Code. The Chief Financial Officer is hereby authorized, to the extent deemed necessary or advisable thereby, in the discretion thereof, to request that the Attorney General approve the Bonds in accordance with the provisions of Chapter 1202, Texas Government Code, in which case the Chief Financial Officer also is authorized to request the Comptroller of Public Accounts register the Bonds, and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds and the substitute Bonds. The Board hereby authorizes the payment of the fee of the Attorney General for the examination of the

proceedings relating to the issuance of the Bonds, in the amount determined in accordance with the provisions of Section 1202.004, Texas Government Code. The approving legal opinion of bond counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to the Fifteenth Supplement is hereby adopted and made a part of this Fifteenth Supplement for all purposes.

(b) **Bond Insurance.** If authorized in a Pricing Resolution, the purchase of a municipal bond insurance policy from a municipal bond insurance provider that has an underlying rating of "AA" (or its equivalent) or better at the time a Bond Purchase Contract is executed (the "Bond Insurer") as additional security for all or part of a series of Bonds is hereby authorized. The printing of a legend describing the municipal bond insurance policy issued by the Bond Insurer is hereby authorized. The payment of the premium to the Bond Insurer in consideration for the issuance of said policy, should one be so obtained, is hereby approved. The Insurance Commitment issued by the Bond Insurer shall be made a part hereof for all purposes. In addition, it is agreed that should such policy be obtained, the Board will comply with the conditions applicable to the Bonds, as set forth in the Insurance Commitment issued by the Bond Insurer, as if such conditions were incorporated in this Fifteenth Supplement, and will pay to the Paying Agent/Registrar for the Bonds the debt service due on the Bonds so insured by the Bond Insurer not later than one Business Day prior to each principal or interest payment date of the Bonds. In the event such policy is obtained, the Chief Financial Officer is hereby instructed to provide notice to the Bond Insurer in the event such payment is not made to the Paying Agent/Registrar on or before the Business Day before the scheduled principal or interest payment date; failure to make such payment to the Paying Agent/Registrar on or before the Business Day before the scheduled principal or interest payment date shall not constitute a default under the terms of this Fifteenth Supplement.

**Section 18. FURTHER PROCEDURES; OFFICIAL STATEMENT.** Each Board Representative, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Issuer all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Fifteenth Supplement, the Bonds, the sale and delivery of the Bonds and fixing all details in connection therewith, and to approve any Official Statement, or supplements thereto, in connection with the Bonds. The form of the Preliminary Official Statement relating to the Bonds, in substantially the form presented at this meeting, is hereby approved and deemed final for purposes of the Rule. The Chief Financial Officer is authorized to approve any supplement or modification to the Official Statement incorporating information as deemed material consistent with the requirements of the Rule and to authorize the distribution of such Official Statement to the Underwriters for their use in the sale of the Bonds to members of the general public. The use of such deemed final Official Statement in the offer and sale of the Bonds is hereby approved. Should the Chief Financial Officer be incapable of performing any of the duties and responsibilities set forth in this Fifteenth Supplement, any Board Representative may perform such duties and responsibilities. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature shall

nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

#### **Section 19. CONTINUING ONGOING DISCLOSURE.**

(a) **Annual Reports.** (i) The Board shall provide annually to the MSRB (1) within six months after the end of each fiscal year ending in or after 2012, financial information and operating data with respect to the Board of the general type included in the final Official Statement approved by Section 18 hereof, being the information described in Exhibit C hereto, and (2) if not provided as part such financial information and operating data, audited financial statements of the Board, when and if available. Any financial statements so to be provided shall be prepared in accordance with the accounting principles described in Exhibit C hereto, or such other accounting principles as the Board may be required to employ from time to time pursuant to state law or regulation, and audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not available by the required time, the Board will provide unaudited financial information of the type included in the Official Statement by the required time and audited financial statements when and if such audited financial statements become available. If audited financial statements are not prepared for any Fiscal Year and audited financial statements are prepared with respect to the State of Texas for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State of Texas for the applicable Fiscal Year to the MSRB, in an electronic format as prescribed by the MSRB, within six months after the end of said Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor of the State of Texas. Any such audited financial statements of the State of Texas so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

(ii) If the Board changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

(iii) The financial information and operating data to be provided pursuant to this Section may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC.

(b) **Notice of Certain Events.** The Board shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after occurrence of the event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of holders of the Bonds, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership, or similar event of the Board, which shall occur as described below;
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material.

For these purposes, any event described in the immediately preceding paragraph 12 is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for an obligated person in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the an obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the an obligated person.

The Board shall notify the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with this Section by the time required by this Section.

As used in this Section, the term “obligated person” shall mean any person, including the Board, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

(c) ***Filings with the MSRB.*** All financial information, operating data, financial statements, notices, and other documents provided to the MSRB in accordance with this Section shall be provided in an electronic format prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

(d) ***Limitations, Disclaimers, and Amendments.*** (i) The Board shall be obligated to observe and perform the covenants specified in this Section with respect to the Board and the Bonds while, but only while, the Board remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Board in any event will give notice required by subsection (b) hereof of any Bond calls and defeasance that cause the Board to be no longer such an “obligated person”.

(ii) The provisions of this Section are for the sole benefit of the registered owners and beneficial owners of the Bonds, and nothing in this Section, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the Board or the State of Texas or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

(iii) UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS SECTION, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR *MANDAMUS* OR SPECIFIC PERFORMANCE.

(iv) No default by the Board in observing or performing its obligations under this Section shall constitute a breach of or default under this Fifteenth Supplement for purposes of any other provision of this Fifteenth Supplement.

(v) Nothing in this Section is intended or shall act to disclaim, waive, or otherwise limit the duties of the Board under federal and state securities laws.

(vi) Notwithstanding anything herein to the contrary, the provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule,

taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the Outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the Board (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the registered owners and beneficial owners of the Bonds. The provisions of this Section may also be amended from time to time or repealed by the Board if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the Board's right to do so would not prevent underwriters of the initial public offering of the Bonds from lawfully purchasing or selling Bonds in such offering. If the Board so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with subsection (b) an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

**Section 20. TAX EXEMPTION.** The Board does not intend to issue the Bonds in a manner such that the Bonds would constitute obligations described in section 103 of the Code and all applicable temporary, proposed and final regulations and procedures promulgated thereunder or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

**Section 21. REFUNDING BONDS.**

The principal amount of Bonds, if any, issued to refund all or portion of the Refundable Bonds, and the Refunded Bonds to be refunded, shall be specifically identified in the Bond Purchase Contract. The Pricing Committee, acting for and on behalf of the Board, may elect not to refund any or all of the obligations listed in Schedule I, but in no event shall the Bonds be issued for the purpose of refunding Refundable Bonds if the refunding of the aggregate principal amount of the obligations selected for refunding does not result in the minimum amount of savings established in Section 2(b) hereof being achieved. In the event Bonds are to be sold for the purpose of refunding all or a portion of the Refundable Bonds, then on or before the date of delivery of the Bonds the Chief Financial Officer shall execute and deliver to the Board a certificate stating that minimum amount of net present value resulting from the refunding of the Refunded Bonds herein established has been met or exceeded. The determination of the Pricing Committee, acting for and on behalf of the Board, relating to the issuance and sale of Bonds to refund all or a portion of the Refundable Bonds in such principal amount as provided in a Bond Purchase Contract shall have the same force and effect as if such determination were made by the Board. The Chief Financial Officer is hereby directed to effect the prior redemption of any of the Refunded Bonds identified in Schedule I should such bonds be refunded with the proceeds of the Bonds.

**Section 22. REDEMPTION OF REFUNDED BONDS.** The Chief Financial Officer is hereby authorized to take such actions, consistent with the resolutions authorizing the issuance of the Refunded Bonds, that may be required to redeem prior to their scheduled maturities any of

the Refunded Bonds. It is hereby declared that upon the execution of the Bond Purchase Contract, the Chief Financial Officer may implement, on behalf of the Board, the redemption of any of the Refunded Bonds so designated in the Bond Purchase Contract, and that the redemption date for any of the Refunded Bonds shall be the first available call date provided for in the proceedings authorizing the issuance of any such Refunded Bonds.

**Section 23. ESCROW AGREEMENT.** The Board shall cause to be deposited with the Escrow Agent (as named in the hereinafter described Escrow Agreement) or directly with the Paying Agent for the Refunded Bonds, from the proceeds received from the sale of any series of Bonds and other available moneys of the Board, an amount sufficient to provide for the refunding of the Refunded Bonds in accordance with Chapter 1207, to the extent Bonds are sold for such purpose. If required to establish firm banking arrangements with respect to the Refunded Bonds, the Chief Financial Officer is hereby authorized, for and on behalf of the Board, to execute and deliver one or more Escrow Agreements or deposit agreements with respect to the refunding of the Refunded Bonds, in the form approved by the Pricing Committee, with such changes as the Chief Financial Officer deems necessary to effect the sale of the Bonds to the Underwriters.

**Section 24. REPEAL OF CONFLICTING RESOLUTIONS.** All resolutions and all parts of any resolutions (other than the Master Resolution) which are in conflict or inconsistent with this Fifteenth Supplement are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

**Section 25. RULES OF CONSTRUCTION.** For all purposes of this Fifteenth Supplement, unless the context requires otherwise, all references to designated Sections and other subdivisions are to the Sections and other subdivisions of this Fifteenth Supplement. The words "herein", "hereof" and "hereunder" and other words of similar import refer to this Fifteenth Supplement as a whole and not to any particular Section or other subdivision. Except where the context otherwise requires, terms defined in this Fifteenth Supplement to impart the singular number shall be considered to include the plural number and vice versa. References to any named person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Fifteenth Supplement is adopted by the Board and any future amendments thereto or successor provisions thereof. Any reference to the payment of principal in this Fifteenth Supplement shall be deemed to include the payment of mandatory sinking fund redemption payments. Any reference to "FORM OF BOND" shall refer to the form of the Bonds set forth in Exhibit B to this Fifteenth Supplement.

**Section 26. PUBLIC NOTICE.** It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Fifteenth Supplement was adopted; that this Fifteenth Supplement would be introduced and considered for adoption at said meeting; and that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.



## **SCHEDULE I**

### **LIST OF REFUNDABLE BONDS**

Any outstanding maturities of the following obligations:

#### **TTUS Revenue Financing System Bonds Eighth Series Taxable 2001**

| <b><u>Original<br/>Dated Date</u></b> | <b><u>Original<br/>Maturity</u></b> | <b><u>Original<br/>Principal</u></b> | <b><u>Principal<br/>Outstanding</u></b> | <b><u>Call<br/>Date*</u></b> |
|---------------------------------------|-------------------------------------|--------------------------------------|---|------------------------------|
| 1/1/2002                              | 8/15/2031                           | 42,810,000                           | 27,710,000                              | 2/15/2012                    |

\*The 2022 and 2031 maturities may be redeemed prior to stated maturity on February 15, 2012 or any date thereafter at par plus accrued interest.

## EXHIBIT A

### DEFINITIONS

As used in this Fifteenth Supplement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term “*Acts*” shall mean, collectively, Chapter 55, Texas Education Code, Chapter 1207, Texas Government Code, and Chapter 1371, Texas Government Code.

The term “*Authorized Denominations*” shall mean Authorized Denominations as defined in Section 2 of this Fifteenth Supplement.

The term “*Board Representative*” shall mean the Chancellor TTUS, the Chief Financial Officer, or such other official of TTUS, TTU, ASU or the Health Sciences Center appointed by the Board to carry out the functions of the Board specified herein.

The term “*Bond Purchase Contract*” shall mean any bond purchase agreement, between the Board and the Underwriters pertaining to the purchase of any series of Bonds by the Underwriters.

The term “*Bonds*” shall mean the each series of Bonds, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Fifteenth Supplement; and the term “*Bond*” means any of the Bonds.

The term “*Business Day*” shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close.

The term “*Chief Financial Officer*” shall mean the Chief Financial Officer of TTUS so appointed by the Board or the Chancellor of TTUS.

The term “*Code*” shall mean the Internal Revenue Code of 1986, as amended.

The term “*Commercial Paper Notes*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Commercial Paper Notes, Series A, issued pursuant to the provisions of the Master Resolution and the Fifth Supplement.

The term “*Concurrent Bonds*” shall mean the Fourteenth Series Bonds.

The term “*Designated Trust Office*” shall have the meaning ascribed to said term in Section 5(b) of this Fifteenth Supplement.

The term “*DTC*” shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term “*DTC Participant*” shall mean securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

The term “*Eighth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Eighth Series (Taxable 2001) authorized by the Eighth Supplement.

The term “*Eighth Supplement*” shall mean the resolution adopted by the Board on November 2, 2001, authorizing the Eighth Series Bonds.

The term “*Eleventh Supplement*” shall mean the resolution adopted by the Board on October 11, 2007, designating ASU as a Participant in the Financing System.

The term “*Escrow Agent*” shall mean the banking institution named in the Escrow Agreement and chosen in a manner consistent with the legal requirements set forth in Chapter 1207, Texas Government Code.

The term “*Escrow Agreement*” shall mean the Escrow Agreement between the Board and the Escrow Agent, dated as of date of the Bond Purchase Contract, and executed for the benefit of the owners and holders of the Refunded Bonds.

The term “*Fifteenth Series Bonds*” shall mean the Bonds, in one or more designated series, as authorized by this Fifteenth Supplement.

The term “*Fifteenth Supplement*” shall mean this Fifteenth Supplemental Resolution adopted by the Board on December 16, 2011, authorizing the sale of the Bonds.

The term “*Fifth Supplement*” shall mean the amended and restated fifth supplemental resolution adopted by the Board on August 8, 2008, authorizing the Commercial Paper Notes.

The term “*First Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding Bonds, First Series (1993) authorized by the First Supplement.

The term “*First Supplement*” shall mean the resolution adopted by the Board on October 21, 1993, authorizing the First Series Bonds.

The term “*Fourteenth Series Bonds*” shall mean the Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Fourteenth Series (2012A) authorized by the Fourteenth Supplement.

The term “*Fourteenth Supplement*” shall mean the resolution adopted by the Board on December 16, 2011, authorizing the Fourteenth Series Bonds.

The term "*Fourth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Fourth Series (Taxable 1996) authorized by the Fourth Supplement.

The term "*Fourth Supplement*" shall mean the resolution adopted by the Board on November 8, 1996, authorizing the Fourth Series Bonds.

The term "*Issuance Date*" shall mean the date of delivery the Bonds to the Underwriters against payment therefor.

The term "*MAC*" shall mean the Municipal Advisory Council of Texas.

The term "*Master Resolution*" shall mean the Master Resolution Establishing The Revenue Financing System under the Authority and Responsibility of the Board of Regents of Texas Tech University, adopted by the Board on October 21, 1993, as amended on November 8, 1996 and on August 22, 1997.

The term "*Maturity*" shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, declaration of acceleration, or otherwise.

The term "*MSRB*" shall mean the Municipal Securities Rulemaking Board.

The term "*Ninth Series Bonds*" shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Ninth Series (2003) authorized by the Ninth Supplement.

The term "*Ninth Supplement*" shall mean the resolution adopted by the Board on August 8, 2003, authorizing the sale of the Ninth Series Bonds.

The term "*Parity Obligations*" shall mean, collectively, the First Series Bonds, the Second Series Bonds, the Third Series Bonds, the Fourth Series Bonds, the Commercial Paper Notes, the Sixth Series, the Seventh Series Bonds, the Eighth Series Bonds, the Ninth Series Bonds, the Tenth Series Bonds, the Twelfth Series Bonds, the Thirteenth Series Note and, when delivered, the Fifteenth Series Bonds and the Concurrent Bonds. The First Series Bonds, the Second Series Bonds, the Third Series Bonds, the Fourth Series Bonds and the Sixth Series Bonds are no longer outstanding as of the date the Fifteenth Supplement was adopted.

The terms "*Paying Agent/Registrar*", "*Paying Agent*" or "*Registrar*" shall mean the agent appointed pursuant to Section 5 of this Fifteenth Supplement, or any successor to such agent.

The term "*Pricing Committee*" shall mean the Chancellor, the Chief Financial Officer and the following Members of the Board: John T. Huffaker, Larry K. Anders and John F. Scovell.

The term "*Pricing Resolution*" shall mean the resolution adopted by the Pricing Committee in accordance with Section 3(b) of this Fifteenth Supplement.

The term “*Record Date*” shall mean, with respect to the Bonds, the last business day of each month preceding an interest payment date.

The term “*Refundable Bonds*” shall mean those bonds identified in Schedule I-A to this Fifteenth Supplement.

The term “*Refunded Bonds*” shall mean those Refundable Bonds identified in the Bond Purchase Contract to be refunded with proceeds from the sale of an issuance of the Bonds.

The term “*Registration Books*” shall mean the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Paying Agent/Registrar pursuant to Section 5 of this Fifteenth Supplement.

The term “*Regulations*” shall mean all applicable temporary, proposed and final regulations and procedures promulgated under the Code or promulgated under the Internal Revenue Code of 1954, to the extent applicable to the Code.

The term “*Rule*” shall mean SEC Rule 15c2-12, as amended from time to time.

The term “*SEC*” shall mean the United States Securities and Exchange Commission.

The term “*Second Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Second Series (1995) authorized by the Second Supplement.

The term “*Second Supplement*” shall mean the Second Supplement adopted by the Board on February 10, 1995, authorizing the sale of the Second Series Bonds.

The term “*Seventh Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Bonds, Seventh Series (2001) authorized by the Seventh Supplement.

The term “*Seventh Supplement*” shall mean the resolution adopted by the Board on November 2, 2001, authorizing the Seventh Series Bonds.

The term “*Sixth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Sixth Series (1999) authorized by the Sixth Supplement.

The term “*Sixth Supplement*” shall mean the amended and restated resolution adopted by the Board on February 12, 1999, authorizing the sale of the Sixth Series Bonds.

The term “*Stated Maturity*” shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption of the Bonds.

The term “*Tenth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Tenth Series (2006) authorized by the Tenth Supplement.

The term “*Tenth Supplement*” shall mean the resolution adopted by the Board on December 16, 2005, authorizing the sale of the Tenth Series Bonds.

The term “*Third Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Third Series (1996) authorized by the Third Supplement.

The term “*Third Supplement*” shall mean the resolution adopted by the Board on November 8, 1996, authorizing the sale of the Third Series Bonds.

The term “*Thirteenth Series Note*” shall mean the note, in one or more designated series, as authorized by the Thirteenth Supplement.

The term “*Thirteenth Supplement*” shall mean the resolution adopted by the Board on September 12, 2008, authorizing the sale of the Thirteenth Series Note.

The term “*TTUS*” shall mean the Texas Tech University System, under the governance of the Board.

The term “*Twelfth Series Bonds*” shall mean the Board of Regents of Texas Tech University Revenue Financing System Refunding and Improvement Bonds, Twelfth Series (2008) authorized by the Twelfth Supplement.

The term “*Twelfth Supplement*” shall mean the resolution adopted by the Board on August 8, 2008, authorizing the sale of the Twelfth Series Bonds.

The term “*Underwriters*” shall have the meaning ascribed to said term in Section 3(b) of this Fifteenth Supplement.

All terms not herein defined shall have the meanings given to said terms by the Master Resolution or as otherwise defined in this Fifteenth Supplement.

**EXHIBIT B**

**FORM OF BONDS**

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM  
REVENUE FINANCING SYSTEM  
REFUNDING BOND,  
FIFTEENTH SERIES (TAXABLE 2012B)

NO. R-\_\_ PRINCIPAL  
AMOUNT  
\$ \_\_\_\_\_

| <u>INTEREST RATE</u> | <u>MATURITY DATE</u> | <u>BOND DATE</u> | <u>CUSIP</u> |
|----------------------|----------------------|------------------|--------------|
| %                    | _____, 20__          | _____, 20__      |              |

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF TEXAS TECH UNIVERSITY SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner, specified above, or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount, specified above, and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Bond Date, specified above, to the Maturity Date, specified above, or the date of redemption prior to maturity, at the interest rate per annum, specified above; with interest being payable on \_\_\_\_\_ 15, 20 \_\_, and semiannually on each February 15 and August 15 thereafter, except that if the date of authentication of this Bond is later than the first Record Date (hereinafter defined), such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges, solely from funds of the Issuer required by the resolution authorizing the issuance of the Bonds to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, initially at the corporate trust

office in \_\_\_\_\_, Texas, or, with respect to a successor Paying Agent/Registrar, at the designated offices of such successor (the "Designated Trust Office") of \_\_\_\_\_, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the last business day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described; provided, that upon the written request of any owner of not less than \$1,000,000 in principal amount of Bonds provided to the Paying Agent/Registrar not later than the Record Date immediately preceding an interest payment date, interest due on such Bonds on such interest payment date shall be made by wire transfer to any designated account within the United States of America. In addition, interest may be paid by such other method, as shall be acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner upon presentation and surrender of this Bond for redemption and payment at the Designated Trust Office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Issuer and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution (hereinafter defined).

THIS BOND is one of a series of bonds authorized in the aggregate principal amount of \$\_\_\_\_\_ pursuant to a Fifteenth Supplemental Resolution to the Master Resolution adopted December 16, 2011, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") ***FOR THE PURPOSE OF (i) REFUNDING THE REFUNDED BONDS AND (ii) PAYING THE COSTS RELATED THERETO.***

ON February 15, 20\_\_\_\_, or on any date thereafter, the Bonds of this series scheduled to mature on and after February 15, 20\_\_\_\_ may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portion thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price equal to the par value thereof and accrued-interest to the date fixed for redemption; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Issuer and the securities depository.



BONDS MATURING February 15, 20\_\_\_\_ are "Term Bonds" and are subject to mandatory redemption at a price equal to the principal amount to be so redeemed and accrued and unpaid interest to the date of redemption, to-wit:

Said Bonds shall be redeemed in part by lot prior to maturity on February 15, 20\_\_\_\_, in the amounts designated below, to-wit:

| Years | Amounts |
|-------|---------|
|-------|---------|

\* Maturity

THE ISSUER shall redeem Term Bonds by lot, or purchase in the open market Bonds of the same maturity. The Board shall effect the retirement of the Term Bonds required to be retired by mandatory redemption, by either redemption in accordance herewith or prior purchase for cancellation in the open market at a price not exceeding the redemption price. To the extent that Term Bonds have been previously purchased for cancellation or redeemed other than pursuant to a sinking fund redemption payment, each sinking fund payment amount for such Term Bonds shall be reduced, to the extent practicable, by the amount obtained by multiplying the principal amount of such Term Bonds so purchased or redeemed by the ratio which each remaining sinking fund payment amount of such maturity bears to the total remaining sinking fund payment amounts of such maturity, and by rounding each such sinking fund payment amount to the nearest \$5,000 integral multiple. On the maturity date of any Term Bonds, the Board shall effect the payment of the principal of maturing Term Bonds. The foregoing notwithstanding, during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, the particular Bonds to be so redeemed shall be selected in accordance with the arrangements between the Board and the securities depository.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond. By the date fixed for any such redemption due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is sent and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, payable in the same manner, in any authorized denomination at the written request of the registered owner, and in

aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Issuer, all as provided in the Bond Resolution.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in The City of New York, New York, or in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer or exchange as provided below, but the one requesting such transfer or exchange shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration or exchange of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and, to the extent permitted by law, the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same

form, and bearing interest at the same rate, in any Authorized Denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering, or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; that the Series of Bonds of which this Bond is one constitute Parity Obligations under the Bond Resolution; and that the interest on and principal of this Bond, together with the other Bonds of this Series and the other outstanding Parity Obligations are equally and ratably secured by and payable from a lien on and pledge of the Pledged Revenues, subject only to the provisions of, and the lien on and pledge of certain Pledged Revenues to, any outstanding Prior Encumbered Obligations.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional Parity Obligations which also may be secured by and made payable from a lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the provisions of the Bond Resolution under the conditions provided in the Bond Resolution.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the Issuer, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Issuer.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chair or Vice Chair of the Issuer and countersigned with the manual or facsimile signature of the Secretary or Assistant Secretary of the Issuer, and has caused the official seal of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

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Secretary/Assistant Secretary  
Board of Regents of  
Texas Tech University System

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Chair/Vice Chair  
Board of Regents of  
Texas Tech University System

(SEAL)

**FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE**

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Dated \_\_\_\_\_  
\_\_\_\_\_  
Paying Agent/Registrar

**FORM OF REGISTRATION CERTIFICATE OF COMPTROLLER  
OF PUBLIC ACCOUNTS TO ACCOMPANY THE BONDS  
UPON INITIAL DELIVERY**

COMPTROLLER'S REGISTRATION CERTIFICATE:

REGISTER NO. \_\_\_\_\_

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond and the proceedings authorizing its issuance have been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this \_\_\_\_\_.

\_\_\_\_\_  
Comptroller of Public Accounts  
of the State of Texas

(COMPTROLLER'S SEAL)

**FORM OF ASSIGNMENT**

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

/ \_\_\_\_\_ /

(Assignee's Social Security or Taxpayer Identification Number)

\_\_\_\_\_  
(print or typewrite Assignee's name and address, including zip code)

\_\_\_\_\_  
and hereby irrevocably constitutes and appoints

\_\_\_\_\_  
attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_  
NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond, company.

## **EXHIBIT C**

### **DESCRIPTION OF ANNUAL FINANCIAL INFORMATION OF THE BOARD**

The following information is referred to in Section 19 of this Resolution.

#### **Annual Financial Statements and Operating Data**

The financial information and operating data with respect to the Board to be provided annually in accordance with such Section are the quantitative financial information and operating data pertaining to the Board included in the Official Statement under the caption "DEBT SERVICE REQUIREMENTS", the subcaptions to the caption "TEXAS TECH UNIVERSITY SYSTEM" in Appendix A to the Official Statement entitled "- General Description - Enrollment", "- Admissions and Matriculation", "- Financial Management" and "- Selected Financial Information" and in Appendix B to the Official Statement entitled "TEXAS TECH UNIVERSITY SYSTEM CONSOLIDATED ANNUAL FINANCIAL REPORT".

#### **Accounting Principles**

The accounting principles referred to in such Section are generally accepted accounting principles for governmental units as prescribed by the Government Accounting Standards Board from time to time, as such principles may be changed from time to time to comply with state law or regulation.



## **Term of Application Subscription Program Agreement**

### **APPLICATION SUBSCRIPTION PROGRAM (ASP)**

Subject to the terms and conditions of this ASP Agreement, TouchNet grants to Client under all of TouchNet's intellectual property rights (including patent and copyrights owned or controlled by TouchNet) and Client accepts, a non-exclusive, non-transferable Subscription to use the TouchNet Software for the purpose of offering Services to End Users of the System for a period of four (4) years from the Effective Date of this ASP Agreement. However, if subsequent to the execution of this ASP Agreement, Client receives Board approval for the term of this ASP Agreement to be for a period of seven (7) years rather than four (4) years, and Client provides written Notice of such approval to TouchNet within one hundred and twenty (120) days of the Effective Date of this ASP Agreement, then the term of this ASP Agreement will convert to a period of seven (7) years commencing on the date of TouchNet's receipt of such written Notice of Board approval.

### **COSTS & PAYMENTS<sup>1</sup>**

The annual Application Subscription Program Fee ("ASP Fee") of \$250,664.40<sup>2</sup> will be due and payable upon execution of the ASP Agreement to which this Schedule A is attached. For each subsequent year, the annual ASP Fee shall be payable thirty (30) days in advance of the next annual period of the ASP Agreement in the following amounts:

Year 1 - \$250,664.40

Year 2 - \$263,197.62

Year 3 - \$276,357.50

Year 4 - \$290,175.37

However, if Client receives Board approval for a seven (7) year term for this ASP Agreement and provides timely Notice of such approval to TouchNet as more specifically stated above, then a new annual ASP Fee of \$208,887.00<sup>3</sup> will apply and be due and payable upon TouchNet's receipt of such written Notice from Client of Board approval. For each subsequent year, the annual ASP Fee shall be payable thirty (30) days in advance of the next annual period of the ASP Agreement in the following amounts:

Year 1 - \$208,887.00

Year 2 - \$219,331.35

Year 3 - \$230,297.91

Year 4 - \$241,812.80

Year 5 - \$253,903.44

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<sup>1</sup> All pricing will expire if contract is not executed on or before December 31, 2011.

<sup>2</sup> If Client provides TouchNet with timely written Notice of Board approval of a seven year term for this ASP Agreement as required, TouchNet will prorate this figure when calculating the initial annual ASP Fee owing for the seven year term.

<sup>3</sup> This figure reflects a discount of \$25,503.00, a Texas Tech System discount of \$34,918.00, and an additional u.Commerce System discount of \$48,600.00. Client will receive a pro-rated credit for its prior payment of \$250,664.40 reflecting the four year initial term to be applied against the second annual period's ASP Fee.

Year 6 - \$266,598.61

Year 7 - \$279,928.54

### **PROFESSIONAL SERVICES**

The one-time Professional Service Fee is payable upon the TouchNet Software being loaded at the TouchNet DataCenter. The Professional Service Fee of \$81,553.00<sup>4</sup> shall be due and payable within thirty (30) days of Client's receipt of the invoice.

### **PER STATION CASHIERING AND HARDWARE DEVICE FEES**

TouchNet Cashiering – Business Office Edition has a per-station software license fee. Client may only use the Business Office Edition software on cashiering stations licensed with TouchNet. Client is licensed for ten (10) Business Office Edition station licenses, and the fees associated with them are included in the annual ASP Fee noted above. Client is purchasing ten (10) card readers at \$695.00 each and ten (10) printer/check scanners at \$1,275.00 each, for a combined total of \$19,700.00.

TouchNet Cashiering – Campus Merchant Edition has a per-station software license fee, and Client has the option of purchasing various hardware devices as needed. Client may only use the Campus Merchant Edition software on cashiering stations licensed with TouchNet. Client is licensed for one (1) Campus Merchant Edition station license, and the fees associated with it is included in the annual ASP Fee noted above. Client is not purchasing any hardware devices at this time.

Total cashiering hardware device fees pursuant to this ASP Agreement are \$19,700.00. TouchNet will invoice Client for all hardware device fees when the hardware is shipped and Client shall pay the invoice within thirty (30) days of its receipt of the invoice.

### **CUSTOM WORK – AUTOMATED ACH FILE TRANSFER**

It is understood that (a) TouchNet will perform research and analysis of the automated file transfer process to determine its feasibility, and if it is determined to be probable, (b) TouchNet will develop a customized file transfer process to automate the NACHA ACH file transfer adhering to bank specifications and TouchNet will test the automated solution in the Client's production environment (located within the TouchNet DataCenter) to said banking institution. In order to begin this custom project, Client shall be responsible for (a) obtaining the required connectivity information before the project begins, (b) directly communicating with the primary contact at the bank for requirements and specifications, and (c) coordinating with the primary contacts with the banking institution for testing.

Client shall pay a Professional Services Fee of \$1,500.00 for TouchNet's research and analysis of the automated file transfer process to determine its feasibility, and Client shall pay a Professional Services Fee of \$8,500.00 for the development of an automated NACHA ACH file transfer process, if found to be feasible. TouchNet shall invoice Client for the applicable Professional Services Fees immediately upon the completion of Implementation. Client shall pay the invoice within thirty (30) days of its receipt of the invoice.

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<sup>4</sup> This figure reflects a discount of \$50,000.00.

**EXPENSES AND DISBURSEMENTS:** Client is responsible, and will reimburse TouchNet, for reasonable expenses (including meals, lodging, mileage and coach class airfare) incurred by TouchNet in connection with on-site training, equipment installation, set-up and professional services rendered in connection with this Schedule (and the ASP Agreement to which it is attached) following Client's written request and approval. TouchNet agrees and understands that TouchNet will be subject to the then-current Travel Reimbursement Rates promulgated by the Comptroller of Public Accounts for the State of Texas at <https://fm.xcpa.state.tx.us/fm/travel/travelrates.php> with regard to meals, lodging, mileage, airfare and all other expenses related to travel. In addition, TouchNet agrees and understands that it will not be reimbursed by Client for expenses that are prohibited or that exceed the allowable amounts set forth in the Travel Allowance Guide. TouchNet will provide Client with receipts, invoices or other documentation reasonably requested by Client prior to receiving reimbursement of expenses and disbursements. Reimbursement or disbursement, as the case may be, will be furnished within thirty (30) days following submission of proper expense verification by TouchNet.



TEXAS TECH UNIVERSITY SYSTEM

## 2012 Bond Issuance

Jim Brunjes

*Vice Chancellor and CFO*

Texas Tech University System

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
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TEXAS TECH UNIVERSITY SYSTEM

## BOR Action Item

- The Board of Regents will approve a resolution authorizing the sale and delivery of **"Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Fourteenth Series (2012A)"**
- Additionally, the Board of Regents will approve a second resolution authorizing the sale and delivery of **"Board of Regents of Texas Tech University System Revenue Financing System Refunding Bonds, Fifteenth Series (Taxable 2012B)"**

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 2



TEXAS TECH UNIVERSITY SYSTEM

## New Bond Issuance

| Capital Project                             | Financing Amount     | Funding Source    |
|---|----------------------|-------------------|
| <b>TTU:</b>                                 |                      |                   |
| New COBA Building                           | \$14,000,000         | Student Fees      |
| 2005 Student Union Expansion IIB            | \$2,494,000          | Student Fees      |
| Jones East Side Expansion                   | \$15,800,000         | Athletic Revenues |
| Jones North End Zone Seating                | \$5,576,000          | Athletic Revenues |
| Jones North End Concessions & Restrooms     | \$1,300,000          | Athletic Revenues |
| Soccer Team Facility                        | \$2,207,000          | Athletic Revenues |
| Softball Team Facility                      | \$2,940,000          | Athletic Revenues |
| Track Renovation                            | \$2,401,000          | Athletic Revenues |
| Boston & 18th St Res Hall & Dining Facility | \$44,070,000         | Res Hall Revenues |
| <b>ASU:</b>                                 |                      |                   |
| Plaza Verde Phase 1                         | \$35,000,000         | Res Hall Revenues |
| Rec Center - Center for Human Performance   | \$7,000,000          | Student Fees      |
| Henderson Library Commons Renovation        | \$4,380,000          | Library Fees      |
| <b>Total New Bond Issuance</b>              | <b>\$137,168,000</b> |                   |

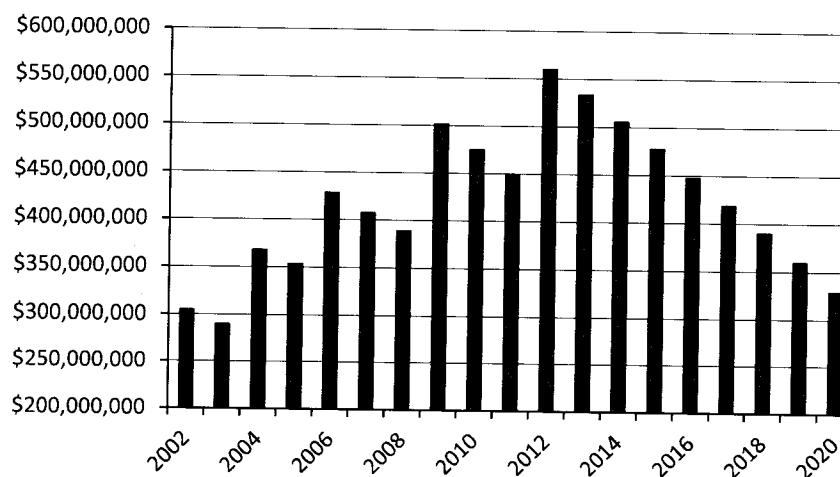
Board of Regents  
December 15, 2011

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Page 3



TEXAS TECH UNIVERSITY SYSTEM

## TTUS Bond Debt



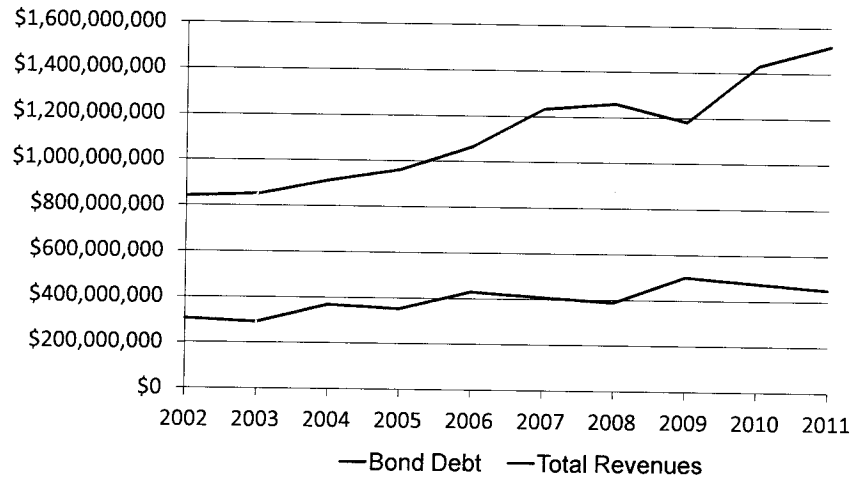
Board of Regents  
December 15, 2011

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Page 4



TEXAS TECH UNIVERSITY SYSTEM

## Bond Debt vs. Total Revenue



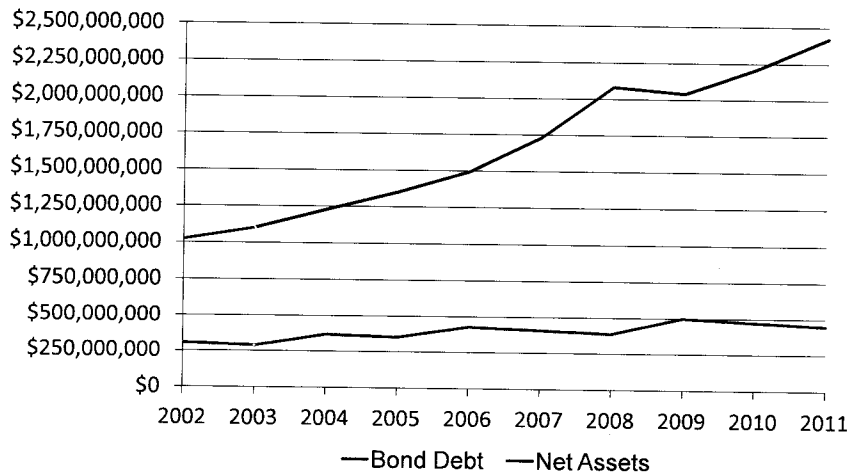
Board of Regents  
December 15, 2011

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TEXAS TECH UNIVERSITY SYSTEM

## Bond Debt vs. Net Assets



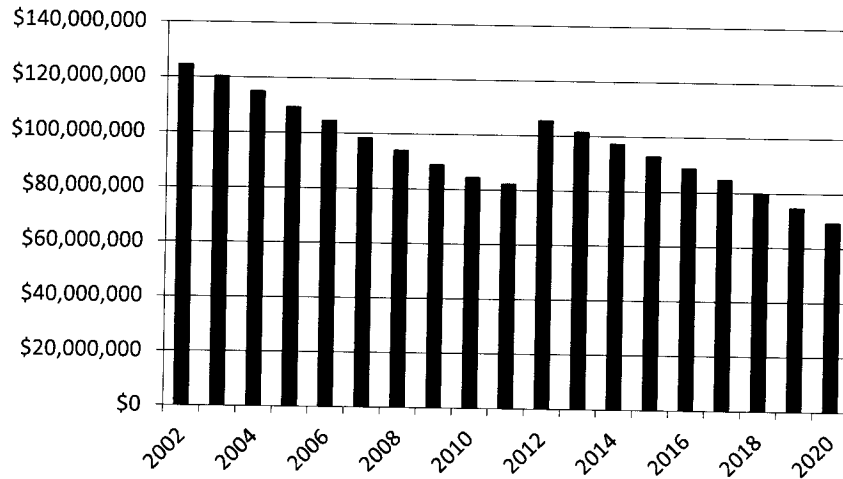
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TEXAS TECH UNIVERSITY SYSTEM

## Athletic Debt



Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 7



TEXAS TECH UNIVERSITY SYSTEM

## Reserves

| Department                 | Reserve Balance as of 8/31/2011 | FY   | Current Max. Annual Bond Debt Service | Over / (Under) |
|----------------------------|---------------------------------|------|---------------------------------------|----------------|
| Athletics                  | 8,787,351                       | 2015 | 7,690,704                             | 1,096,647      |
| Univ. Student Housing      | 5,566,682                       | 2012 | 5,505,197                             | 61,485         |
| Hospitality Services       | 717,901                         | 2012 | 768,754 *                             | (50,853)       |
| Traffic & Parking          | 1,191,566                       | 2014 | 1,005,538                             | 186,028        |
| Utilities (Physical Plant) | 1,124,824                       | 2014 | 1,182,273 *                           | (57,449)       |
| Student Union Building     | 4,356,861                       | 2017 | 3,054,004                             | 1,302,857      |
| University College         | 331,171                         | 2013 | 416,275 *                             | (85,105)       |
| Recreational Center        | 210,638                         | 2018 | 1,312,458                             | (1,101,820)    |
| Communication Services     | 50,951                          |      | -                                     | 50,951         |
| Student Wellness Center    | 32,338                          | 2021 | 566,474                               | (534,135)      |
| Unallocated Reserves       | 3,062,449                       |      | -                                     |                |
| <b>Total</b>               | <b>\$25,432,733</b>             |      | <b>\$21,501,677</b>                   |                |

\*collecting with debt service payments

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 8



TEXAS TECH UNIVERSITY SYSTEM

## Refinancing Candidates

| Series                                       | Refinancing Amount  |
|--|---------------------|
| 2001 Series 7 Tax-Exempt: Callable 2/15/2012 | \$4,215,000         |
| 2001 Series 8 Taxable: Callable 2/15/2012    |                     |
| Jones Stadium West Side                      | \$27,710,000        |
| 2002 Series Tax Exempt (TSUS for ASU)        | \$353,140           |
| 2003 Series 9 Tax-Exempt: Callable 2/15/2013 |                     |
| TTU Experimental Sciences (TRB)              | \$13,465,000        |
| HSC El Paso Research Facility (TRB)          | \$22,515,000        |
| HSC El Paso Hydronic (TRB)                   | \$755,000           |
| HSC Clinical Tower / Research Center         | \$15,730,000        |
| Subtotal                                     | \$52,465,000        |
| <b>Total Possible Refunding</b>              | <b>\$84,743,140</b> |

Board of Regents  
December 15, 2011

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TEXAS TECH UNIVERSITY SYSTEM

## Estimated Savings

| Series                                | Amount              |
|---------------------------------------|---------------------|
| 2001 Series 7 Tax-Exempt              | \$4,215,000         |
| 2002 Series Tax Exempt (TSUS for ASU) | \$353,140           |
| 2003 Series 9 Tax-Exempt              | \$52,465,000        |
| <b>Total</b>                          | <b>\$57,033,140</b> |
| <b>Estimated NPV Savings (\$)</b>     | <b>\$4,477,486</b>  |
| <b>Estimated NPV Savings (%)</b>      | <b>7.8%</b>         |
| 2001 Series 8 Taxable                 | \$27,710,000        |
| <b>Estimated NPV Savings (\$)</b>     | <b>\$6,779,444</b>  |
| <b>Estimated NPV Savings (%)</b>      | <b>24.5%</b>        |

Board of Regents  
December 15, 2011

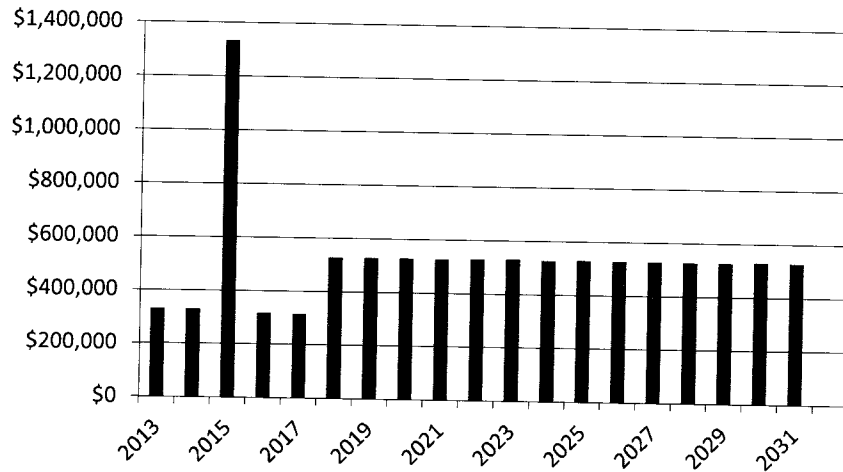
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TEXAS TECH UNIVERSITY SYSTEM

## Athletics Savings (Taxable)



Board of Regents  
December 15, 2011

TTUS Office of the CFO  
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TEXAS TECH UNIVERSITY SYSTEM

## Schedule of Events

| Date                                   | Action   |
|--|--|
| December 16 <sup>th</sup> , 2011       | Board of Regents approval<br>Electronic distribution of POS  |
| December 19 <sup>th</sup> , 2011       | Rating agency site visit and conference calls  |
| Week of January 2 <sup>nd</sup> , 2011 | Price Bonds  |
| Week of January 9 <sup>th</sup> , 2011 | Final Offering Summary delivery  |
| February 14 <sup>th</sup> , 2012       | Receive Approval from Attorney General<br>Close and deliver bonds<br>Redeem \$100M of commercial paper<br>Redeem Refunding Bonds |
|  | 2/15/2012 – Series 2001  |
|  | 3/15/2013 – Series 2003  |


Board of Regents  
December 15, 2011

TTUS Office of the CFO  
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TEXAS TECH UNIVERSITY SYSTEM

## Debt Ratings

|   |    |
|---|----|
|  | AA |
| FitchRatings  | AA |

Board of Regents  
December 15, 2011

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Page 13



TEXAS TECH UNIVERSITY SYSTEM

## Pricing Committee

- The "Pricing Committee" shall include:
  - The Chancellor
  - The Chief Financial Officer (TTUS)
  - Members of the Finance and Administration Committee of the Board of Regents

Board of Regents  
December 15, 2011

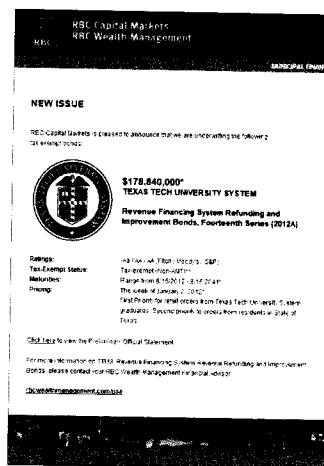
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TEXAS TECH UNIVERSITY SYSTEM

## Retail Marketing

- Print Advertising
- Online Advertising
- Email Announcement
- [www.texastech.edu/bonds](http://www.texastech.edu/bonds)



Board of Regents  
December 15, 2011

TTUS Office of the CFO  
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TEXAS TECH UNIVERSITY SYSTEM

## BOR Action Item

- The Board of Regents will approve a resolution authorizing the sale and delivery of “**Board of Regents of Texas Tech University System Revenue Financing System Refunding and Improvement Bonds, Fourteenth Series (2012A)**”
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Board of Regents  
December 15, 2011

TTUS Office of the CFO  
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TEXAS TECH UNIVERSITY SYSTEM

## 2012 Bond Issuance

Jim Brunjes  
*Vice Chancellor and CFO*  
Texas Tech University System

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 17

## **Term of Application Subscription Program Agreement**

### **APPLICATION SUBSCRIPTION PROGRAM (ASP)**

Subject to the terms and conditions of this ASP Agreement, TouchNet grants to Client under all of TouchNet's intellectual property rights (including patent and copyrights owned or controlled by TouchNet) and Client accepts, a non-exclusive, non-transferable Subscription to use the TouchNet Software for the purpose of offering Services to End Users of the System for a period of four (4) years from the Effective Date of this ASP Agreement. However, if subsequent to the execution of this ASP Agreement, Client receives Board approval for the term of this ASP Agreement to be for a period of seven (7) years rather than four (4) years, and Client provides written Notice of such approval to TouchNet within one hundred and twenty (120) days of the Effective Date of this ASP Agreement, then the term of this ASP Agreement will convert to a period of seven (7) years commencing on the date of TouchNet's receipt of such written Notice of Board approval.

### **COSTS & PAYMENTS<sup>1</sup>**

The annual Application Subscription Program Fee ("ASP Fee") of \$250,664.40<sup>2</sup> will be due and payable upon execution of the ASP Agreement to which this Schedule A is attached. For each subsequent year, the annual ASP Fee shall be payable thirty (30) days in advance of the next annual period of the ASP Agreement in the following amounts:

Year 1 - \$250,664.40

Year 2 - \$263,197.62

Year 3 - \$276,357.50

Year 4 - \$290,175.37

However, if Client receives Board approval for a seven (7) year term for this ASP Agreement and provides timely Notice of such approval to TouchNet as more specifically stated above, then a new annual ASP Fee of \$208,887.00<sup>3</sup> will apply and be due and payable upon TouchNet's receipt of such written Notice from Client of Board approval. For each subsequent year, the annual ASP Fee shall be payable thirty (30) days in advance of the next annual period of the ASP Agreement in the following amounts:

Year 1 - \$208,887.00

Year 2 - \$219,331.35

Year 3 - \$230,297.91

Year 4 - \$241,812.80

Year 5 - \$253,903.44

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<sup>1</sup> All pricing will expire if contract is not executed on or before December 31, 2011.

<sup>2</sup> If Client provides TouchNet with timely written Notice of Board approval of a seven year term for this ASP Agreement as required, TouchNet will prorate this figure when calculating the initial annual ASP Fee owing for the seven year term.

<sup>3</sup> This figure reflects a discount of \$25,503.00, a Texas Tech System discount of \$34,918.00, and an additional u.Commerce System discount of \$48,600.00. Client will receive a pro-rated credit for its prior payment of \$250,664.40 reflecting the four year initial term to be applied against the second annual period's ASP Fee.

Year 6 - \$266,598.61

Year 7 - \$279,928.54

### **PROFESSIONAL SERVICES**

The one-time Professional Service Fee is payable upon the TouchNet Software being loaded at the TouchNet DataCenter. The Professional Service Fee of \$81,553.00<sup>4</sup> shall be due and payable within thirty (30) days of Client's receipt of the invoice.

### **PER STATION CASHIERING AND HARDWARE DEVICE FEES**

TouchNet Cashiering – Business Office Edition has a per-station software license fee. Client may only use the Business Office Edition software on cashiering stations licensed with TouchNet. Client is licensed for ten (10) Business Office Edition station licenses, and the fees associated with them are included in the annual ASP Fee noted above. Client is purchasing ten (10) card readers at \$695.00 each and ten (10) printer/check scanners at \$1,275.00 each, for a combined total of \$19,700.00.

TouchNet Cashiering – Campus Merchant Edition has a per-station software license fee, and Client has the option of purchasing various hardware devices as needed. Client may only use the Campus Merchant Edition software on cashiering stations licensed with TouchNet. Client is licensed for one (1) Campus Merchant Edition station license, and the fees associated with it is included in the annual ASP Fee noted above. Client is not purchasing any hardware devices at this time.

Total cashiering hardware device fees pursuant to this ASP Agreement are \$19,700.00. TouchNet will invoice Client for all hardware device fees when the hardware is shipped and Client shall pay the invoice within thirty (30) days of its receipt of the invoice.

### **CUSTOM WORK – AUTOMATED ACH FILE TRANSFER**

It is understood that (a) TouchNet will perform research and analysis of the automated file transfer process to determine its feasibility, and if it is determined to be probable, (b) TouchNet will develop a customized file transfer process to automate the NACHA ACH file transfer adhering to bank specifications and TouchNet will test the automated solution in the Client's production environment (located within the TouchNet DataCenter) to said banking institution. In order to begin this custom project, Client shall be responsible for (a) obtaining the required connectivity information before the project begins, (b) directly communicating with the primary contact at the bank for requirements and specifications, and (c) coordinating with the primary contacts with the banking institution for testing.

Client shall pay a Professional Services Fee of \$1,500.00 for TouchNet's research and analysis of the automated file transfer process to determine its feasibility, and Client shall pay a Professional Services Fee of \$8,500.00 for the development of an automated NACHA ACH file transfer process, if found to be feasible. TouchNet shall invoice Client for the applicable Professional Services Fees immediately upon the completion of Implementation. Client shall pay the invoice within thirty (30) days of its receipt of the invoice.

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<sup>4</sup> This figure reflects a discount of \$50,000.00.

**EXPENSES AND DISBURSEMENTS:** Client is responsible, and will reimburse TouchNet, for reasonable expenses (including meals, lodging, mileage and coach class airfare) incurred by TouchNet in connection with on-site training, equipment installation, set-up and professional services rendered in connection with this Schedule (and the ASP Agreement to which it is attached) following Client's written request and approval. TouchNet agrees and understands that TouchNet will be subject to the then-current Travel Reimbursement Rates promulgated by the Comptroller of Public Accounts for the State of Texas at <https://fm.xcpa.state.tx.us/fm/travel/travelrates.php> with regard to meals, lodging, mileage, airfare and all other expenses related to travel. In addition, TouchNet agrees and understands that it will not be reimbursed by Client for expenses that are prohibited or that exceed the allowable amounts set forth in the Travel Allowance Guide. TouchNet will provide Client with receipts, invoices or other documentation reasonably requested by Client prior to receiving reimbursement of expenses and disbursements. Reimbursement or disbursement, as the case may be, will be furnished within thirty (30) days following submission of proper expense verification by TouchNet.



TEXAS TECH UNIVERSITY SYSTEM

## TouchNet<sup>®</sup> Board of Regents Item

Jim Brunjes  
*Vice Chancellor and CFO*  
Texas Tech University System

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 1



TEXAS TECH UNIVERSITY SYSTEM

## TouchNet Board Item

- The Chancellor recommends the Board approve the extension of the current contract with TouchNet to seven years.

Board of Regents  
December 15, 2011

TTUS Office of the CFO  
Page 2





TEXAS TECH UNIVERSITY SYSTEM

## Background Information

- Texas Tech University and Texas Tech University Health Sciences Center selected TouchNet in 1998 as a primary vendor for student payment processing software. All student payments have been processed through TouchNet since 1999.
- TouchNet specializes in commerce solutions for higher education by providing highly integrated payment options and credit card processing services.
- TouchNet software is currently housed in the Texas Tech data center. This facility is secure and in compliance with Payment Card Industry Security Standards (PCISS).



TEXAS TECH UNIVERSITY SYSTEM

## Upgrade

- TouchNet offers an off-site hosted environment which moves credit card and software liability away from institutions (TTU/TTUHSC). This service allows local resources to focus on more specific institutional needs.
- In Texas, the vast majority of TouchNet's 46 customers have elected to move their payment processing function to TouchNet's hosted environment.
- The TouchNet hosted U.Commerce<sup>®</sup> suite was procured in October 2011 to provide a secure environment for student payment processing and a new cashiering system. The suite also provides additional functionality for a MarketPlace<sup>™</sup> "store" that moves non-student billing related credit card processing activities to the hosted environment.



TEXAS TECH UNIVERSITY SYSTEM

## TouchNet Customers

| Texas Universities                           |                                |
|--|--------------------------------|
| Texas Tech University                        | Lamar University*              |
| Texas Tech University Health Sciences Center | Texas Women's University*      |
| Texas A&M University – College Station*      | University of Texas at El Paso |
| Texas A&M University System Institutions*    | University of Texas at Dallas* |
| Texas A&M Health Sciences Center*            | Baylor University*             |
| Tarleton State University*                   | Rice University*               |
| Texas State University – San Marcos*         | Texas Christian University*    |

\*TouchNet Hosted



TEXAS TECH UNIVERSITY SYSTEM

## Proposed Extension

- The contract signed by TTUS in October 2011 is a four-year agreement which can be extended to seven years with Board approval
- The three-year extension will provide additional discounts for a total savings of \$340,152 over the seven year term.

## Projected Savings

|        | Cash<br>Agreement  | Revised<br>Agreement | Samples            |
|--------|--------------------|----------------------|--------------------|
| Year 1 | \$250,664          | \$208,887            |                    |
| Year 2 | \$263,198          | \$219,331            |                    |
| Year 3 | \$276,358          | \$230,298            |                    |
| Year 4 | \$290,175          | \$241,813            |                    |
|        | <b>\$1,180,495</b> | <b>\$899,529</b>     | <b>\$1,180,495</b> |
| Year 5 | \$304,684 *        | \$253,903            |                    |
| Year 6 | \$319,918 *        | \$266,599            |                    |
| Year 7 | \$335,914 *        | \$279,929            |                    |

\* Estimated



## TouchNet Board Item




- The Chancellor recommends the Board approve the extension of the current contract with TouchNet to seven years.



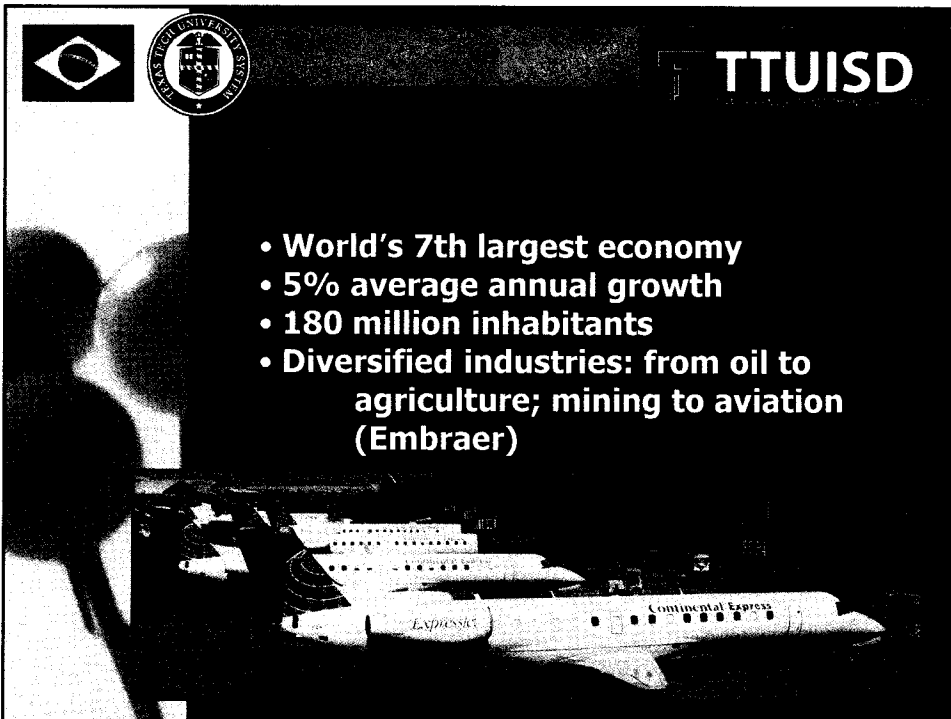
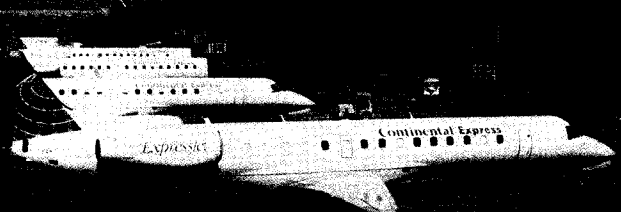
# Texas Tech University Independent School District (TTUISD) Partnership with High School Serviços Educacionais (HSSE) in Brazil






Centro Educacional  
Leonardo da Vinci




- World's 7th largest economy
- 5% average annual growth
- 180 million inhabitants
- Diversified industries: from oil to agriculture; mining to aviation (Embraer)










**TTUISD**


- Level of English
- Academic Quality
- Certification



Centro Educacional  
Leonardo da Vinci



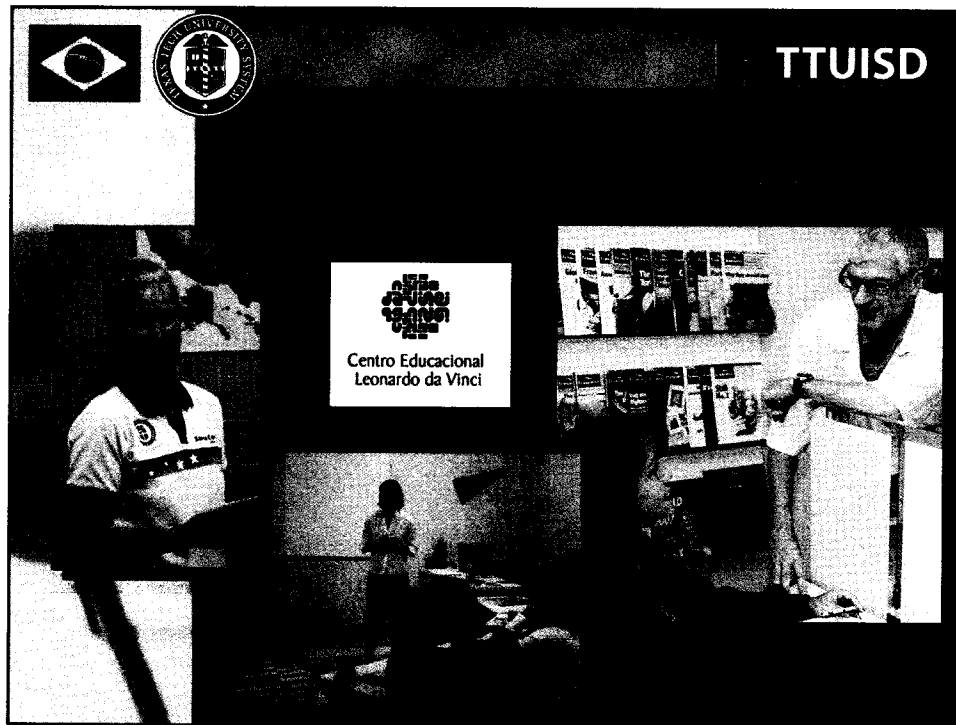
**TTUISD**

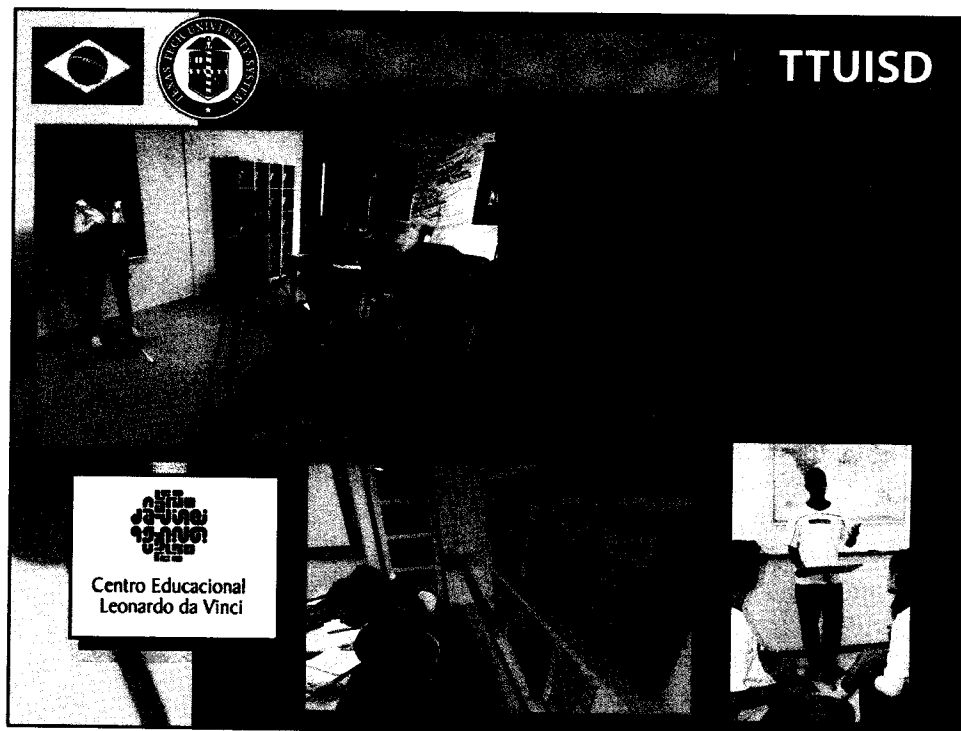
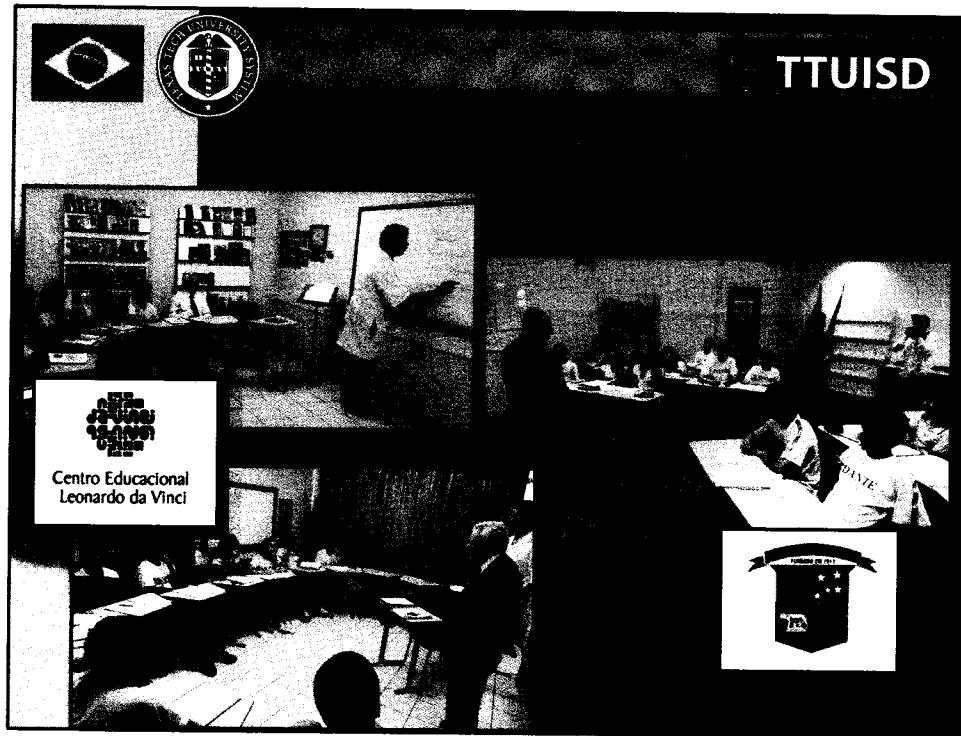


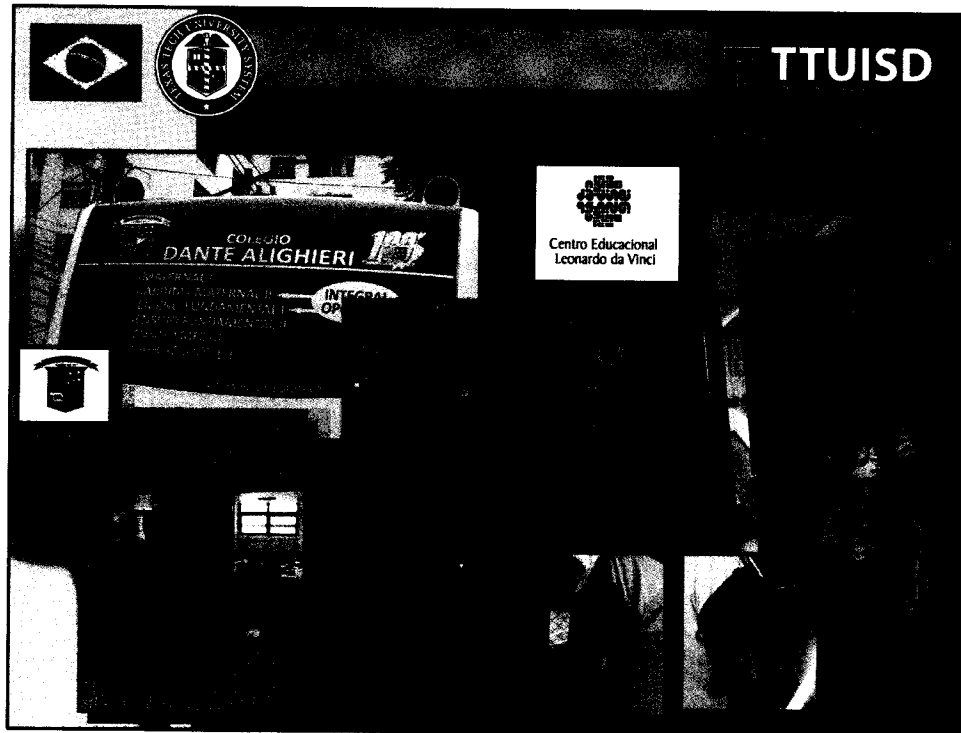
Centro Educacional  
Leonardo da Vinci

- **2000: FIRST YEAR**
  - 43 students in 1 school (Leonardo Da Vinci, Vitória, ES)
  - 30% of students dropped out in first semester
  - Immediate need to respond by adapting the material to the Brazilian students: Glossaries, Analyses, etc.
- **2001-2008: MATURING OF PROGRAM**
  - 140 students (yearly average) at Leonardo Da Vinci.
- **2009: TTU AUTHORIZES EXPANSION TO NEW SCHOOLS**
  - HSSE is founded to expand the program
- **2011**
  - 1106 students in 18 schools from 13 Brazilian cities
- **2012**
  - 1500\* students in 24 schools from 19 Brazilian cities


\* Estimated number of students for 2012
















# TTUUSD




- Print materials based on the TTUUSD Courses (texts and exercises) available through Moodle
- Print materials are enhanced by HSSE with analyses, examples, activities & glossaries to make them more accessible to the Brazilian students
- Sample: ENG9A Lesson 5 - Poetry




<sup>1</sup> wandered = walked without purpose or direction  
<sup>2</sup> dier = over  
<sup>3</sup> all at once = suddenly  
<sup>4</sup> host = mass, multitude  
<sup>5</sup> daffodils = narcissus, a type of flower (see image below)  
  
<sup>6</sup> beneath = under  
<sup>7</sup> fluttering = moving like butterflies  
<sup>8</sup> twinkle = scintillate  
<sup>9</sup> stretched = extended  
<sup>10</sup> bay = curved area of water by the shore  
<sup>11</sup> glance = quick look  
<sup>12</sup> tossing = throwing  
<sup>13</sup> sprightly = full of life

# TTUUSD



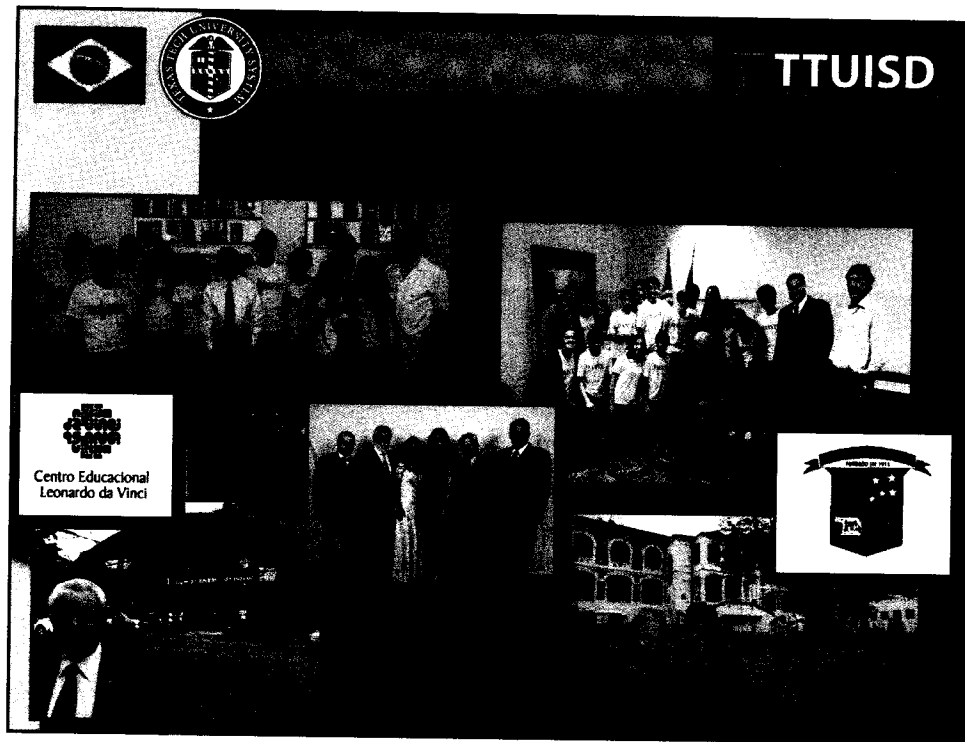
STUDENT NAME \_\_\_\_\_



**EXIT LEVEL**  
**ENGLISH LANGUAGE ARTS**  
**MATHEMATICS**  
**SCIENCE**  
**SOCIAL STUDIES**

Administered July 2006

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**TTUISD**

Texas Tech University Independent School District  
(TTUISD) Partnership with  
High School Serviços Educacionais (HSSE)  
in Brazil

- Developing Leadership
- Building International Understanding
- Democracy Building
- Extending Program—Argentina, Chile & Beyond




Centro Educacional  
Leonardo da Vinci

Rogério Abaurre  
TTUISD HS/HSSE National Coordinator in Brazil

Sam Oswald  
Assistant Dean, University College  
Director, TTUISD  
Texas Tech University







## TEXAS TECH UNIVERSITY INDEPENDENT SCHOOL DISTRICT



Texas Tech University Independent School District (TTUISD) was established by the State Board of Education in 1993.

TTUISD is accredited by the Texas Education Agency (TEA)


All courses and Credit by Exams (CBEs) align with the Texas Essential Knowledge and Skills (TEKS).



- TTUISD is 100% self-supported.
- One of the few comprehensive K-12 programs offered at a distance in the State.
- Coursework is self-paced.
- Coursework is offered in print and online formats
- Diploma-granting program.

## Who uses TTUISD Curriculum?





### Students

- Supplemental Curriculum
- Full-time Diploma Program

### Schools & Districts

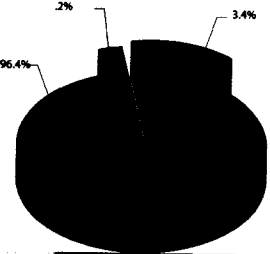
- Testing Services
- Drop-out Prevention
- Credit Recovery

## OPTION I: SUPPLEMENT SCHOOL OR HOMESCHOOL CURRICULUM – TTUISD Testing Services

### Supplemental Curriculum Student Location



Includes homeschooled students not enrolled as a full-time, diploma-seeking student, students taking K-12 courses, dual-credit courses, and/or CBEs while enrolled in a public or private school.



|   |               |                |
|---|---------------|----------------|
| <b>■ Texas</b>                          |               |                |
| <b>■ 40 Other States or Territories</b> |               |                |
| Alaska                                  | Kentucky      | New Mexico     |
| Alabama                                 | Louisiana     | New York       |
| Arkansas                                | Massachusetts | North Carolina |
| Arizona                                 | Maryland      | Oklahoma       |
| California                              | Maine         | Oregon         |
| Colorado                                | Michigan      | Puerto Rico    |
| Connecticut                             | Minnesota     | Rhode Island   |
| Florida                                 | Missouri      | Tennessee      |
| Georgia                                 | Mississippi   | Texas          |
| Hawaii                                  | Montana       | Utah           |
| Idaho                                   | Nebraska      | Virginia       |
| Illinois                                | Nevada        | Vermont        |
| Indiana                                 | New Hampshire | Washington     |
|   | New Jersey    | Wyoming        |
| <b>■ 15 Other Countries</b>             |               |                |
| Australia                               | Hungary       | South Korea    |
| Canada                                  | Mexico        | Sweden         |
| Costa Rica                              | Norway        | Switzerland    |
| France                                  | Qatar         | Taiwan         |
| Germany                                 | South Africa  | United Kingdom |

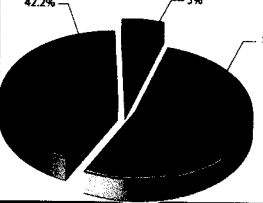
### Testing Services: 33,260 Enrollments

TTUISD can provide any number of CBEs needed, whether it is one exam or thousands. These exams are graded by Texas-certified teachers. Schools then use a percentage of mastery score to determine whether to award credit.



## OPTION II: BE A FULL-TIME, DIPLOMA-SEEKING STUDENT


### Student Location




|                     |               |
|---------------------|---------------|
| ■ Texas             |               |
| ■ 33 Other States   |               |
| Alabama             | Indiana       |
| Alaska              | Kentucky      |
| Arkansas            | Louisiana     |
| Arizona             | Massachusetts |
| California          | Maryland      |
| Colorado            | Maine         |
| Connecticut         | Mississippi   |
| Delaware            | Missouri      |
| Florida             | Montana       |
| Georgia             | New Mexico    |
| Illinois            | Nevada        |
| ■ 8 Other Countries |               |
| Netherlands         | South Korea   |
| Brazil              | Antilles      |
| China               | Oman          |
| Germany             | Saudi Arabia  |
| Mexico              |               |

- Homeschoolers
- Actors
- Dancers
- Athletes
- Military families
- Families who travel often
- Non-traditional students
- Families living overseas
- Anyone looking for an accredited school that enables you to complete coursework and pursue a diploma without attending a physical location

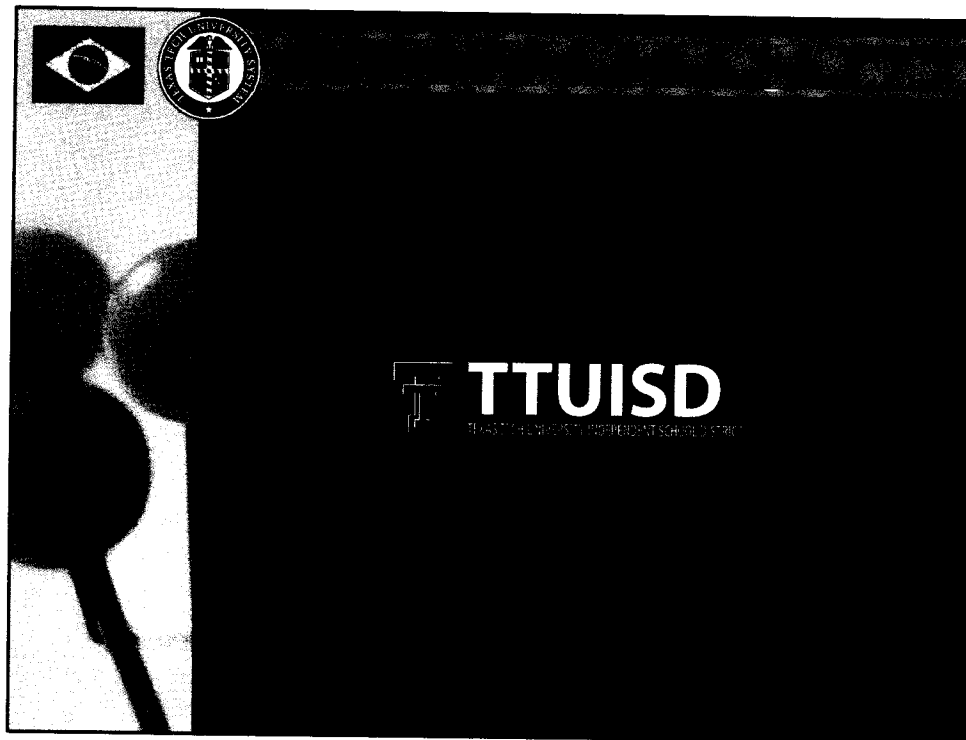





- In cooperation with Texas Tech University STEM Education and Outreach, TTUUSD will host an online Math & Science Club for high school students.
- Mission: To create a society of students, teachers, and professionals interested in understanding how math and science concepts can be applied to real-world problems.



**TEXAS TECH UNIVERSITY**  
**STEM Education and Outreach**



TEXAS TECH UNIVERSITY SYSTEM  
OFFICE OF AUDIT SERVICES  
PRIORITIZED AUDIT PLAN  
Fiscal Year 2012

| PRIORITY   | ENTITY    | AUDIT AREA  | BUDGETED HOURS          | BUDGET ADJUSTMTS | STATUS AS OF DEC 3 | ACTUAL HOURS | TIME STILL NEEDED | BUDGET vs ACTUAL |
|------------|-----------|---|-------------------------|------------------|--------------------|--------------|-------------------|------------------|
|            |           | <b>TOTAL ENGAGEMENT HOURS AVAILABLE</b>                               | <b>18,650</b>           |                  |                    |              |                   |                  |
|            |           | <b>REQUIRED AUDITS</b>  |                         |                  |                    |              |                   |                  |
| Required   | ALL       | State Auditor's Office and Comptroller's Office Misc. Projects        | Miscellaneous (assist)  | 20               | (9)                |              |                   | 11               |
|            |           | TTU: 2011 Statewide Single Audit--Federal Portion (A-133 Audit)       | Fin/Compliance (assist) |                  | 3                  | In Progress  | 1                 | 2                |
|            |           | ASU: 2011 Statewide Single Audit--Federal Portion (A-133 Audit)       | Fin/Compliance (assist) |                  | 3                  | In Progress  |                   | 3                |
|            |           | TTUS: State Comptroller's Office Post-Payment Audit                   | Fin/Compliance (assist) |                  | 3                  | In Progress  |                   | 3                |
| Required   | TTUS      | Texas Tech University Foundation                                      | Financial (assist)      | 120              |                    | In Progress  | 22                | 98               |
| Required   | TTUS      | Regents, Chancellor, & Presidents Travel and Credit Cards             | Compliance (assist)     | 20               |                    | In Progress  | 16                | 4                |
| Required   | TTUS      | Assessment of Risk Management Processes                               | Risk Management         | 200              |                    |              |                   | 200              |
| Required   | TTUS      | Office of Audit Services Annual Report                                | Compliance              | 30               |                    | Complete     | 23                | 7                |
| Required   | TTUS      | Office of Audit Services Annual Plan                                  | Compliance              | 40               |                    |              |                   | 40               |
| Required   | TTUS      | Office of Audit Services GAGAS Quality Assurance Activities Review    | Compliance              | 10               |                    |              |                   | 10               |
| Required   | TTUS      | Office of Audit Services Self-Assessment                              | Compliance              | 120              |                    |              |                   | 120              |
| Required   | TTUS      | Office of Audit Services Peer Review                                  | Compliance              | 80               |                    | In Progress  | 1                 | 79               |
| Required   | TTUS      | Multihazard Emergency Plan Safety and Security Audit                  | Compliance              | 150              |                    |              |                   | 150              |
| Required   | TTU       | NCAA Rules Compliance Program   | Compliance              | 400              |                    |              |                   | 400              |
| Required   | TTU       | NCAA Required Financial Review  | Financial (assist)      | 175              |                    | In Progress  | 160               | 15               |
| Required   | TTU       | Texas Tech Public Media Financial Statement Audit                     | Financial (assist)      | 300              |                    | In Progress  | 315               | 5                |
| Required   | TTU       | KTX-TV Financial Statement Audit                                      | Financial (assist)      | 5                |                    | In Progress  | 8                 | 1                |
| Required   | TTU       | Football Attendance Certification                                     | Compliance              | 10               |                    | Complete     | 4                 | 6                |
| Required   | TTU       | Time and Effort Certification Processes                               | Compliance              | 200              |                    |              |                   | 200              |
| Required   | HSC       | Texas Higher Education Coordinating Board Residency Grants            | Compliance              | 80               |                    | In Progress  | 90                | 15               |
| Required   | HSC       | Correctional Managed Health Care Committee Contract                   | Compliance              | 200              |                    |              |                   | 200              |
| Required   | HSC       | Tx Higher Education Coordinating Board Nursing Shortage Grant         | Compliance              | 10               |                    |              |                   | 10               |
| Required   | HSC       | Time and Effort Certification Processes                               | Compliance              | 200              |                    |              |                   | 200              |
| Required   | ASU       | Carr Foundation   | Financial (assist)      | 10               |                    | In Progress  |                   | 10               |
| Required   | ASU       | Investments   | Compliance              | 150              | (150)              | Cancelled    |                   | 0                |
|            |           | <b>TOTALS FOR REQUIRED AUDITS</b>                                     | <b>2,530</b>            | <b>(150)</b>     |                    | <b>640</b>   | <b>225</b>        | <b>1,515</b>     |
|            |           | <b>AUDITS IN PROGRESS AT AUGUST 1, 2011</b>                           |                         |                  |                    |              |                   |                  |
| Prior Year | TTU & HSC | State Comptroller's Office Post-Payment Audits                        | Fin/Compliance (assist) | 5                |                    | In Progress  | 5                 | 0                |
| Prior Year | TTU       | Tx Higher Education Coordinating Board--State Financial Aid Grants    | Fin/Compliance (assist) | 5                |                    | Complete     |                   | 5                |
| Prior Year | TTU       | Academic Department Reconciliation Processes                          | Management Advisory     | 200              |                    | In Progress  | 7                 | 193              |
| Prior Year | TTU       | Restricted Research Expenditures--FY 2011                             | Financial/Compliance    | 500              |                    | Complete     | 515               | (15)             |
| Prior Year | TTU       | Athletics Financial Processes   | Financial/Operational   | 375              | 350                | In Progress  | 827               | (152)            |
| Prior Year | HSC       | Lubbock School of Medicine  | Financial/Operational   | 100              |                    | Complete     | 271               | (171)            |
| Prior Year | HSC       | Information Technology Governance                                     | Governance/IT           | 300              |                    | Complete     | 493               | (193)            |
| Prior Year | HSC       | El Paso Department of Internal Medicine                               | Financial/Compliance    | 100              |                    | On Hold      | 1                 | 99               |
| Prior Year | HSC       | South Plains Oncology Consortium                                      | Financial/Compliance    | 250              |                    | In Progress  | 251               | 30               |
| Prior Year | HSC       | El Paso Department of Surgery   | Financial/Compliance    | 50               |                    | In Progress  | 73                | 20               |
| Prior Year | ASU       | Instructional Enhancement Fee   | Financial/Compliance    | 75               |                    | Complete     | 105               | (30)             |
| Prior Year | ASU       | College of Education  | Financial/Operational   | 150              |                    | Complete     | 151               | (1)              |
| Prior Year | ALL       | Wrap-up on Audits Included in August BOR Report                       |                         | 10               |                    | Complete     | 9                 | 1                |
|            |           | <b>TOTALS FOR AUDITS IN PROGRESS</b>                                  | <b>2,120</b>            | <b>350</b>       |                    | <b>2,703</b> | <b>254</b>        | <b>(487)</b>     |
|            |           | <b>UNPLANNED SPECIAL PROJECTS AND INVESTIGATIONS</b>                  |                         |                  |                    |              |                   |                  |
|            |           | <b>Total Hours Budgeted for Special Projects &amp; Investigations</b> | <b>3,600</b>            | <b>(2,316)</b>   |                    |              |                   | <b>1,284</b>     |
|            |           | <b>IN PROGRESS AT AUGUST 1, 2011</b>                                  |                         |                  |                    |              |                   |                  |
| Special    | HSC       | El Paso Emergency Medicine Research Grant                             | Special                 | 10               |                    | Complete     | 10                | 0                |
| Special    | HSC       | El Paso Surgery Center  | Investigation           | 1,350            |                    | In Progress  | 1,279             | 71               |
|            |           | <b>BEGUN AFTER AUGUST 1, 2011</b>                                     |                         |                  |                    |              |                   |                  |
| Special    | TTU & HSC | Fraud Monitoring Procedures--FY 2012                                  | Special                 | 750              |                    | In Progress  | 678               | 72               |
| Special    | TTU       | TTU: Procurement Cards in Biological Sciences                         | Special                 |                  |                    | Complete     |                   | 0                |
| Special    | TTU       | Donor Recognition Processes   | Special                 | 128              |                    | Complete     | 128               | 0                |
| Special    | HSC       | School of Medicine FQHC Risk Assessment                               | Special                 | 50               |                    | In Progress  | 42                | 8                |
| Special    | ALL       | Miscellaneous Hotline Projects  | Special                 | 28               |                    | In Progress  | 28                | 0                |
|            |           | <b>SPECIAL PROJECTS AND INVESTIGATIONS TOTALS</b>                     | <b>3,600</b>            | <b>2,316</b>     |                    | <b>2,165</b> | <b>151</b>        | <b>1,284</b>     |
|            |           | <b>HIGHEST PRIORITY</b>   |                         |                  |                    |              |                   |                  |
| Special    | TTUS      | Tech Enterprise Account Management (TEAM App) System Security         | IT Controls             | 525              |                    |              |                   | 525              |
| Special    | TTUS      | Construction Project Expenses   | Financial/Compliance    | 400              |                    | In Progress  | 6                 | 394              |
| Special    | TTU       | Natl Wind Resource Ctr / Natl Inst for Renewable Energy Funding       | Financial/Compliance    | 300              |                    |              |                   | 300              |
| Special    | TTU       | Student Fees  | Financial/Compliance    | 400              |                    | In Progress  | 6                 | 394              |
| Special    | HSC       | Contracting Processes   | Operational/Controls    | 500              |                    |              |                   | 500              |
| Special    | HSC       | Rural and Community Health  | Financial/Compliance    | 500              |                    | In Progress  | 160               | 340              |
| Special    | HSC       | El Paso Department of Psychiatry                                      | Operational/Financial   | 325              |                    |              |                   | 325              |
| Special    | HSC       | El Paso Campuswide Claims Rejections                                  | Operational             | 400              |                    |              |                   | 400              |
| Special    | ASU       | Center for Security Studies   | Operational/Financial   | 350              | 50                 | In Progress  | 327               | 73               |
| Special    | ASU       | Enrollment Management   | Operational/Compliance  | 350              |                    |              |                   | 350              |
|            |           | <b>HIGHEST PRIORITY TOTALS</b>  | <b>4,050</b>            | <b>50</b>        |                    | <b>499</b>   | <b>1,201</b>      | <b>2,400</b>     |



TEXAS TECH UNIVERSITY SYSTEM  
OFFICE OF AUDIT SERVICES  
PRIORITIZED AUDIT PLAN  
Fiscal Year 2012

| PRIORITY   | ENTITY   | AUDIT AREA  | BUDGETED HOURS | BUDGET ADJUSTMENTS | STATUS AS OF DEC 3 | ACTUAL HOURS | TIME STILL NEEDED | BUDGET vs ACTUAL |
|--|--|---|----------------|--------------------|--------------------|--------------|-------------------|------------------|
| <b>MODERATE PRIORITY</b>                               |  |   |                |                    |                    |              |                   |                  |
| 2  | TTU  | Responsibility Center Management  | 350            |                    |                    |              |                   | 350              |
| 2  | TTU  | Physical Plant  | 400            |                    |                    |              |                   | 400              |
| 2  | TTU  | Enrollment Management   | 400            |                    |                    |              |                   | 400              |
| 2  | HSC  | Anita Thigpen Perry School of Nursing   | 450            | 50                 | In Progress        | 280          | 220               | 0                |
| 2  | HSC  | Lubbock Department of Surgery   | 400            |                    |                    |              |                   | 400              |
| 2  | HSC  | El Paso Department of Obstetrics & Gynecology                                     | 325            |                    |                    |              |                   | 325              |
| 2  | ASU  | Hispanic Serving Institution (HSI) Federal Grant Program                          | 250            |                    | In Progress        | 112          | 138               | 0                |
| 2  | ASU  | Student Fees  | 350            |                    |                    |              |                   | 350              |
| <b>MODERATE PRIORITY TOTALS</b>                        |  |   | <b>2,925</b>   | <b>50</b>          |                    | <b>392</b>   | <b>358</b>        | <b>2,225</b>     |
| <b>LOWER PRIORITY</b>                                  |  |   |                |                    |                    |              |                   |                  |
| 3  | ALL  | Audit Report Follow-Up Procedures and Reporting                                   | 300            |                    | In Progress        | 155          | 145               | 0                |
| 3  | TTU  | Small Business Program (SBIRSTTR) Federal Grants                                  | 250            |                    |                    |              |                   | 250              |
| 3  | TTU  | Student Business Services   | 400            |                    |                    |              |                   | 400              |
| 3  | HSC  | Lubbock Department of Internal Medicine   | 400            |                    |                    |              |                   | 400              |
| 3  | HSC  | Physical Plant  | 400            |                    |                    |              |                   | 400              |
| 3  | HSC  | El Paso Department of Family Medicine   | 325            |                    |                    |              |                   | 325              |
| 3  | HSC  | El Paso Department of Medical Education   | 200            |                    |                    |              |                   | 200              |
| 3  | ASU  | Office of Environmental Health, Safety and Risk Management                        | 250            |                    |                    |              |                   | 250              |
| <b>LOWER PRIORITY TOTALS</b>                           |  |   | <b>2,525</b>   | <b>-</b>           |                    | <b>155</b>   | <b>145</b>        | <b>2,225</b>     |
| <b>OTHER VALUE-ADDED WORK</b>                          |  |   |                |                    |                    |              |                   |                  |
| <b>Total Hours Budgeted for Other Value-Added Work</b> |  |   | <b>900</b>     | <b>(361)</b>       |                    |              |                   | <b>539</b>       |
| Other  | TTUS   | Fraud Prevention Training   |                |                    | Ongoing            | 28           |                   |                  |
| Other  | TTUS   | Cash Handling and Control Environment Training                                    |                |                    | Ongoing            | 11           |                   |                  |
| Other  | TTUS   | Enterprise Application Steering Committee   |                |                    | Ongoing            |              |                   |                  |
| Other  | TTUS   | Enterprise Application Council  |                |                    | Ongoing            | 5            |                   |                  |
| Other  | TTUS   | Enterprise Application Work Group   |                |                    | Ongoing            |              |                   |                  |
| Other  | TTUS   | Enterprise Risk Management  |                |                    | Ongoing            |              |                   |                  |
| Other  | TTUS   | Research Projects Executive Steering Committee                                    |                |                    | Ongoing            |              |                   |                  |
| Other  | TTU  | Institutional Compliance Committee  |                |                    | Ongoing            |              |                   |                  |
| Other  | HSC  | El Paso Electronic Medical Records  |                |                    | Ongoing            |              |                   |                  |
| Other  | HSC  | Institutional Compliance Working Committee  |                |                    | Ongoing            | 4            |                   |                  |
| Other  | N/A  | Texas Department of Public Safety Peer Review                                     |                |                    | Ongoing            | 3            |                   |                  |
| Other  | N/A  | Professional Organizations (ACUA, TACUA, IIA, TSCPA, SAIAP)                       |                |                    | Ongoing            | 163          |                   |                  |
| Other  | TTUS   | Other Miscellaneous Projects  |                |                    | Ongoing            | 147          |                   |                  |
| <b>OTHER VALUE-ADDED WORK TOTALS</b>                   |  |   | <b>900</b>     | <b>-</b>           |                    | <b>361</b>   | <b>-</b>          | <b>539</b>       |
| <b>TOTAL ENGAGEMENT HOURS</b>                          |  |   | <b>18,650</b>  | <b>300</b>         |                    | <b>6,915</b> | <b>2,334</b>      | <b>9,701</b>     |
| <b>KEY</b>   |  |   |                |                    |                    |              |                   |                  |
|  | TTUS   | Texas Tech University System and/or inclusive of multiple Texas Tech institutions |                |                    |                    |              |                   |                  |
|  | TTUSA  | Texas Tech University System Administration                                       |                |                    |                    |              |                   |                  |
|  | TTU  | Texas Tech University   |                |                    |                    |              |                   |                  |
|  | HSC  | Texas Tech University Health Sciences Center                                      |                |                    |                    |              |                   |                  |
|  | TTU & HSC  | Areas with parallel functions or shared responsibility                            |                |                    |                    |              |                   |                  |
|  | ASU  | Angelo State University   |                |                    |                    |              |                   |                  |
|  | N/A  | Work that is not attributable to a particular institution or campus               |                |                    |                    |              |                   |                  |
| Required   | Audits that are mandated by law, Operating Policies, standards, contracts, etc. Will be performed based on timing of external deadlines. |   |                |                    |                    |              |                   |                  |
| Prior Year   | Engagements from prior year annual plan that were in progress at August 1. Goal is to complete them early in the year.                   |   |                |                    |                    |              |                   |                  |
| Special  | Unplanned special projects and investigations.   |   |                |                    |                    |              |                   |                  |
| 1  | Engagements that were deemed most critical per the risk assessment at August 1.  |   |                |                    |                    |              |                   |                  |
| 2  | Engagements that were deemed to be moderately critical per the risk assessment at August 1.  |   |                |                    |                    |              |                   |                  |
| 3  | Engagements that were deemed least critical per the risk assessment at August 1.   |   |                |                    |                    |              |                   |                  |
| 4  | Areas of exposure that need attention, but have not been included in the official plan because of resource constraints.                  |   |                |                    |                    |              |                   |                  |
| Other  | Other projects, including committee service, class development and instruction, professional organizations, etc.                         |   |                |                    |                    |              |                   |                  |



TEXAS TECH UNIVERSITY SYSTEM

## 2011 Annual Report

OFFICE OF AUDIT SERVICES

Kimberly E. Turner, CPA  
*Chief Audit Executive*

December 15, 2011



### MISSION AND OBJECTIVES



#### Mission

The Office of Audit Services is to assist the board and other units of the Texas Tech University System in identifying, avoiding, and mitigating risks.

#### Objectives

Provide independent, objective assurance and consulting services designed to add value and improve operations.

Assist the System in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Section 07.02, Regents' Rules

## PROCESSES TO ENSURE RISK COVERAGE



- Annual plan based on institutional risks
- Engagement level risk assessment
- Flexible annual plan with hours set aside for changing risks, fraud investigations, and special projects
- Follow-up process to ensure action plans are implemented
- Continuing education tailored to risk areas

## AUDIT COVERAGE OF STRATEGIC PRIORITIES



| STRATEGIC PRIORITIES            | 2011 COMPLETED AUDITS OR OTHER VALUE-ADDED PROJECTS  |
|---------------------------------|--|
| Enrollment and Student Success  | TTU SAO Statewide Audit-- Student Financial Aid<br>TTU Grade Reporting Process<br>TTU Ethics Center Advisory Board<br>TTU Joint Admission Medical Program Grant<br>TTU HSC Joint Admission Medical Program Grant<br>ASU Joint Admission Medical Program Grant<br>ASU Carr Foundation |
| Academic Quality and Reputation | TTU Honors College<br>TTU Center for Professional Development<br>TTU HSC El Paso Center of Excellence in Neurosciences   |
| Outreach and Engagement         | TTU Texas Tech Public Media<br>TTU KTXI-TV<br>TTU HSC Correctional Managed Health Care<br>ASU College of Nursing and Allied Health   |

## AUDIT COVERAGE OF STRATEGIC PRIORITIES



| STRATEGIC PRIORITIES            | 2011 COMPLETED AUDITS OR OTHER VALUE-ADDED PROJECTS   |
|---------------------------------|---|
| Research                        | <ul style="list-style-type: none"> <li>TTU Coordinating Board Hackerman Grants</li> <li>TTUHSC Coordinating Board Hackerman Grants</li> <li>TTU ARRA (Federal Stimulus) Funding</li> <li>TTUHSC El Paso Research-- Center of Excellence in Infectious Diseases</li> <li>TTUHSC School of Pharmacy Research Funding</li> <li>TTUHSC Grant Accounting and Reporting Processes</li> <li>ASU College of Sciences</li> </ul>   |
| Increase and Maximize Resources | <ul style="list-style-type: none"> <li>TTU Enterprise Application Council</li> <li>TTU Office of Technology Commercialization</li> <li>Texas Tech Foundation, Inc.</li> <li>TTU Fraud Monitoring</li> <li>TTU Restricted Research Expenditures for Fiscal Year 2010</li> <li>TTU College of Arts &amp; Sciences</li> <li>TTU Departmental Accountability for Gift Funds</li> <li>ASU College of Liberal &amp; Fine Arts</li> <li>TTUHSC El Paso Property Inventory</li> </ul> |

## MOST SIGNIFICANT 2011 PROJECTS



TTUS Banner Security  
 TTU 2010 Restricted Research Expenditures  
 TTUHSC El Paso Center of Excellence in Neurosciences  
 ASU College of Sciences

## OTHER VALUE-ADDED SERVICES



### Other Value-Added Services

TTUS Enterprise Application Steering Committee, Council, and Work Group

TTU Ethics Center Advisory Committee

HSC Institutional Compliance Working Committee

HSC El Paso Electronic Medical Records Committee

Fraud prevention training

Cash handling and control environment training

Ethics presentations in various forums

## OFFICE OF AUDIT SERVICES STAFF



### 15 Full-Time and 2 Part-Time Auditors

10 with Master's degrees

1 with Ed.D. in Higher Education Administration

133 years of combined career experience

*97 years of experience with Texas Tech and its institutions*

#### Certifications

*5 Certified Public Accountants      7 Certified Internal Auditors*

*2 Certified Fraud Examiners      1 Certified Information Systems Auditor*

*1 Chartered Accountant      2 Certified Government Auditing Professionals*

*1 Certification in Control Self-Assessment*

OFFICE OF AUDIT SERVICES STAFF



Professional Commitment and Involvement

Texas Society of CPAs State Board Member-at-Large  
ACUA Professional Education Committee Chair  
ACUA Executive Sponsor for ACUA Leads leadership program  
AICPA Ambassador  
Institute of Internal Auditors (IIA) Seminar Instructor  
IIA El Paso Chapter President  
IIA El Paso Chapter Vice President  
Peer reviewer for University of Tennessee Audit Office  
Presentations to college classes and professional associations  
Community involvement in leadership positions



TEXAS TECH UNIVERSITY SYSTEM

Chancellor's Report  
Texas Tech University System  
Board of Regents Meeting  
December 16, 2011

Chancellor Hance presented his report to the Board: "Year-to-date this fiscal year, we have raised \$46.2 million. That is \$16 million more than we had this time last year. Additionally, we have raised \$840 million as of today which goes toward our goal of reaching \$1 billion through our Vision and Tradition Campaign. So, we are moving in the right direction. We received additional money from an individual and we put out to match it with scholarship money. We had \$2.3 million that this person left us. It was the Phillips Estate money that we received when we sold the working interest. Dr. Overlay and her staff doubled that and generated a total amount, with the matching funds that we received, is \$4.6 million which ended yesterday in 50 hours. That was \$4.6 million for additional scholarships for Texas Tech University. The Development Team, they worked that hard. That is a big plus for us because we want to get our scholarships up where we are competitive with our competitors as far as scholarships are concerned."

Chairman Turner added, "Kelly, thank you, and your team, and Chancellor thank you of course."

Chancellor Hance continued, "Another thing I would like to mention is in regards to our fall commencement ceremonies. Mark Lanier—who is the founder of the Lanier Law Firm; a graduate of Texas Tech Law School; serves on the Foundation Board for the Law School; and has been one of our Distinguished Alums—will be speaking at graduation this afternoon and tonight. Tomorrow, Ed Whitacre will be speaking at the morning and afternoon commencement ceremonies and Walt Huffman will be speaking at the Law School hooding ceremony tomorrow at 5 pm. Last week at Angelo State University's commencement ceremony, we had MacGregor Stephenson, the Assistant Commissioner for Higher Education, as the guest speaker."

Chancellor Hance concluded his report.

President's Report  
Texas Tech University  
Board of Regents Meeting  
December 16, 2011

Dr. Bailey presented his report to the Board: "I want to give a brief update on NRUF. However, before I do that I would like to bring another topic to your attention. *U.S. News and World Report* ranks a lot of things and this is from their rankings of Best Colleges, the 2012 edition. One thing they did that I found interesting was that they ranked universities on the amount of the debt load, and they ranked those whose students graduated with the highest debt load and those with the lowest debt load. If you look at that ranking, Texas Tech is among national universities, was sixth for universities with the lowest debt load. Only 40 percent of our students graduated with debt and that 40 percent had an average debt of \$11,502. We've made significant progress I think in that area. You might be interested in knowing some of the universities that ranked above us. The five that were above us in the least amount of debt for students were Princeton, Sam Houston State, Yale, Harvard and California Institute of Technology, and then Texas Tech. So, I think that's quite a tribute. You met our financial aid director and again the chancellor just mentioned raising money for scholarships, so we've worked very hard to make sure that we offer high quality education at a reasonable price and our students can graduate with as little debt as possible. So, we are very pleased about that."

Chairman Turner asked, "Dr. Bailey, what period does that look at? I mean what is the measurement of that?"

Dr. Bailey answered, "It should be FY 10. By the way—Joe may I steal some of your thunder and brag on you? If you look at regional Universities, Angelo State was fourth in the West for least amount of debt."

Chairman Turner asked, "And we were fifth and in what area?"

Dr. Bailey answered, "We were sixth for national universities."

Chairman Turner asked, "How many national universities are there?"

Dr. Bailey answered, "I believe there are 260 or so. This something that we need to make sure that people are aware of because it does reflect a lot of hard work and we are very pleased for our students as well. And congratulations Joe, as well, because Angelo State again, was also recognized."

Dr. Bailey continued with his presentation on NRUF: "NRUF—just a brief update on where we are with the National Research University Fund. You can feel free to interrupt me with questions if you have them. Again, just a little background, in the 81<sup>st</sup> Legislature House Bill 51 established NRUF as an endowment to provide funding to help Emerging Research Universities, and there are seven of us. Once we meet certain benchmarks, we will become eligible for NRUF funding and eventually become National



Research Universities. This is part of what will help us get to national research status. In the last Legislative session, the 82<sup>nd</sup> Legislature, House Bill 1000, set the pay out from NRUF for universities who meet the criteria. Remember you have to meet the criteria two years in a row. And the payout works like this: the spendable amount can't exceed 4.5 percent after expenses of the average net market value of the fund's investment assets for 12 consecutive state fiscal quarters ending with the last quarter of the preceding fiscal year. That's easier for you to read than me to say, and the Comptroller has to certify that. Then the spendable amount of 4.5 percent is distributed in the following way: it's divided into seven increments and each of the institutions that are eligible gets one seventh plus a fourth of the remaining spendable amount. So, if there were two institutions in there, we'd each get one seventh, but remember there would be five sevenths that we're not distributed and we get one fourth of that five sevenths. Does that make sense?"

Regent Anders asked, "And what isn't distributed goes back to corpus?"

Dr. Bailey responded, "It goes back to the corpus and this is very important too and we support it very strongly—this kind of a distribution because a corpus needs to be built even as we get revenue from it. Eventually additional universities will get in there and without a growing corpus it's not going to really serve its purpose. Senator Duncan was again, key in this, without this kind of a distribution I don't think we would have an effective NRUF payout, but I think it is very effective so we are very pleased with this."

Chairman Turner asked, "So how many dollars will that equate to?"

Dr. Bailey answered, "It depends. We have assumed about \$500 million or a little more—\$8.5 to \$9 million—it depends on what the controller certifies as the amount. So, again, and it is not simply the amount of what is in there right now, but what has been in there over a period of months."

Chairman Turner asked, "That's typically referred to as a trailing three quarters. That's an easier way to say it. Isn't that right Jim?"

Mr. Brunjes replied that was correct.

Dr. Bailey continued, "Thank you so much, that's good."

Chairman Turner added, "A trailing three years, not quarters."

Mr. Brunjes concurred.

Dr. Bailey continued, "So we don't know the exact amount yet but it will be substantial."

Regent Neal asked, "Dr. Bailey, what are the restrictions on how we would spend this NRUF money?"

Dr. Bailey answered, "There are no more restrictions than there are for money that would come through the formula for us. We have a wide discretion on how we would

spend that money. I think the assumption is that money would be used to build a research capacity for the institution. Remember that what the whole purpose of the endowment is to help you become a National Research Institution and so what we would do is use the money in that way and that could be for startup packages, it could be for facilities renovations, and we would try not to use so much to support graduate students and a wide range of things."

Regent Neal asked, "Is it an annual distribution?"

Dr. Bailey answered, "Yes."

Regent Steinmetz asked, "How many institutions have qualified thus far?"

Dr. Bailey answered, "None so far. As I get in to our report, I'll suggest that we will qualify as soon as this state auditor comes in and does an audit. So, the University of Houston might. I don't know where they are and we don't really know. We know that we have submitted a letter to the Commissioner and he, I think, referred to that. It states that we believe that we have met the criteria. Let me do one thing before I go on to the criteria. We believe that we have met the criteria and we have asked for the audit. And I'll show you what those are in a minute."

"But the last bullet point that I want to make before we get to that. Remember that becoming NRUF eligible, while it represents a huge achievement, a substantial achievement for Texas Tech, it is not the equivalent of achieving Tier One status. It is an important step to Tier One or National Research status as the following figures show. We have configured this as a stairway to Tier One and the first step was being named an emerging Research University, which made us eligible for this competition and that was in 2004. The second step was TRIP. Remember that we raised a significant amount of money in TRIP, and chancellor, we can't thank you enough for all of the work there. You can see what we raised in comparison. This is the fund that brought matching money from the State. We were well ahead of every other institution. The third step would be named as a participant in the National Research University fund—NRUF status. Then what we see next is achieving top 100 in *U.S. News and World Report* and then eventually having the characteristics of one of the AAU Institutions, and we have talked about that before. So, when we get there we will sort of have made. That is when we can say 'we're there.' In any event, you can see where we are and where we have to go. Now the criteria themselves and how we have performed—if you look at these remember that the first two things, everybody has to do: you have to be designated an emerging research university and of course we have that designation. You must have \$45 million in restricted research and we have reported over \$50 million two years in a row, and by the way, this is audited. Kim Turner will speak about that after I finish. Kim can tell you about her audit of this. She did a very rigorous audit and we bumped heads just like you do in audits like this. We are very confident in this amount given Kim's work. She did a terrific job. And then you have to meet 4 of 6 additional criteria. And of course our endowment exceeds \$400 million; it did two years in a row as you can see. We are members of all of these organizations that signify excellence like Phi Beta Kappa; we're the only one that's a member of all three. We granted 200 Ph.D.s, we granted 215 in FY 10 and 232 the next year, FY 11."

Regent Neal asked, "Can I ask a question? Why didn't we have the red check mark on their form?"

Chancellor Hance said, "Old figures."

Dr. Bailey answered, "If you look at their data—it is all '08 or '09 data."

Regent Neal stated, "It seemed like the research money was more current than that. It looked a little inconsistent."

Dr. Bailey continued, "What they have was 2008 and 2009 data. That chart has been out there. They have used that for a long time—what seems like a long time to me. Maybe it's only a couple of years but that's the difference."

"Then the high quality faculty. We will not meet the criteria on that. Although, we have asked for a review, we are simply doing that for our own benefit and we are not worried about that."

"The next criterion is high quality of the freshman class. And as you can see, although our SAT scores do not meet their benchmark, our ACT scores do. We have reported that the 75th percentile was 26 the year before last and then 27 last year. We have more than 50 percent of our freshman in the top 25 percent. The freshman class must show progress toward closing the gaps. We think we do that. I passed out—you can read this at your leisure—the document that we submitted showing that we have demonstrated that we have met 'Closing the Gaps' goals. There is a lot of good information in that document about what we have done to close the gaps."

"That would be essentially the fourth criterion that we have met. Remember, four out of six and then the high quality of graduate programs. You can see that we would meet that as well. Now, they have since changed this criterion, but they changed the criterion after we submitted our data and our request for consideration. And we were told that they would consider us before the change. It wouldn't make any difference; we would still meet four out of six. So, according to the data we have reported, we feel pretty good about our chances of meeting four out of six criteria."

"To quickly follow up on that, and then I'll have Kim talk a little bit. The next slide shows the progress of our restricted research. Again, you can see since 2008 we have made real good progress there. Our faculty and staff have worked extremely hard. You can see, we have FY 11 data for restricted research and you can see the progress that other institutions have made and we think we have made the most dramatic progress there. We are very close to the University of Houston. We do not know whether their data has been audited or not but we know that ours has. We could have reported a larger figure but we did not. We were very conservative in what we reported. The next slide shows you our total research expenditures and after this meeting, this is the report you will get from now on, total research expenditures. In national rankings, it is total research expenditures that count and we have reported \$142 million for FY 11 and we feel very good about the progress that we have made there. We have moved from \$52 to \$142 million. And that is really quite a bit of progress. By the way, if you wonder how

we did that, Taylor Eighmy's office produces a report, and you have a copy of the annual report. Some of this comes from better accounting; some of it comes from better federal funding. Even in an environment where federal funding was receding, earmarks were disappearing, we did much better in federal funding. We have made a significant improvement there and it is a result of the hard work and you know, Taylor does a nice job of motivating people."

Regent Anders asked, "Dr. Bailey can I ask a question? You indicated that we could have reported more but we are very conservative. Can you elaborate on that for just a minute?"

Dr. Bailey answered, "On the restricted research, we did about \$3 million more. How much more did we take out because of the audit, do you know Kim? Kyle?"

Kim Turner answered, "I don't know the exact amount."

Kyle Clark answered, "It would be not quite \$3 million but it is probably more than \$1 million and the reason being is that we felt like that there were some funds, and Kim will talk about this, that were private gifts mixed in with funds that were not allowable under RRE guidelines that the Coordinating Boards produced so we backed those out, and then also there were some issues in terms of expenditures occurring for pre-payments that would be for fiscal year 2012 or for fiscal year 2010 and so instead of debating that with the auditor when they came in, we elected to go ahead and run queries and remove all of that in advance."

Dr. Bailey continued, "So it will be interesting to see everybody else, for example the University of Houston's restricted research number once that's audited. But as I said, Kim, we have worked very hard and they put a lot of time and she will tell you about that in just a minute, but we will use the total research numbers in the future and this would, we will have significant improvement in our national rankings with this number. And again, we do not have FY 11 numbers for total research expenditures for other institutions yet but you can see the progress we made and our total research expenditures are only behind Texas and Texas A&M in the State of Texas. We're ahead of Rice. So, we are pretty pleased with the progress we've made there."

"Two other things I want to point out. One thing about a National Research University—you would expect your student body to come from all over and not be simply a local student body. I have two slides that are very interesting. The first one gives you our new freshman enrollment this past fall, fall of 2011, by 100 mile increments. You will notice that less than 17 percent of our new freshmen come from within a 100 miles. In fact, more come from between 400 and 500 miles than within 100 miles. We want to be a magnet, an institution of choice for people all over the State of Texas and I think that this slide demonstrates that, as does the next slide. By the way, this is what you would expect the student body at Texas A&M and University of Texas to look like. The next slide demonstrates that as well and includes a great piece of trivia for you. This shows you the contributions of each county to the student body at Texas Tech University. And as you see, Lubbock contributes the largest number of students, Lubbock County, it is 5400. However, this is a little bit misleading because many graduate students in

particular list their permanent address as Lubbock, so that probably over states it. The county that contributes the second largest number of students is Harris County. If you will look down at Harris County, where Houston is, 2200 students, slightly more than the 2100 in Tarrant County and the 2000 in Dallas County. So, we think we really have a statewide student body. It is very important to stress that great piece of trivia for you. It says some very good things about what is happening at Texas Tech University.

"Are there questions before I have Kim talk a little bit about the audit?"

Chairman Turner said, "Not a question, but a comment, and that is that these numbers since 2008, they have been remarkable and what has happened here. I saw you pointing back there and I would expect you to do that, but that's what I was going to do was just sort of recognizing just a few of the team members, Taylor Eighmy, Bob Smith, and I also want to recognize Kyle Clark."

President Bailey added, "Yes, Kyle has been an important part of this. Grace is here. Is Mary here? These are all people that worked full time in trying to make these things happen and I can't say enough about them. They made my job easy and pleasant."

Chairman Turner continued, "You put together a great team and these are wonderful results, please continue."

President Bailey thanked him and then asked Kim Turner to come up to speak about the audit.

Kim Turner began her report, "Christina is going to hand this audit report out to you but I will go ahead and begin the remarks. As we did a year ago, we have audited this year's, fiscal year 2011 restricted research expenditures that were reported to the Coordinating Board. As Dr. Bailey said, the University reported just over \$50 million, about \$50,200,000 to the Coordinating Board. Of this amount, we tested \$13.7 million at the individual transaction level. We tested another \$11.6 million at the fund, or account level, and what we were looking for was what the Coordinating Board requires to be reported as restricted research expenditures. So, we tested it to determine that the source of these funds were restricted, as Kyle talked about, there were a few funds that we found, some monies had been mixed not in an illegal kind of way, but just in a way that changed the character of the fund and so conservatively management took those out. We also tested to make sure that the expenditures qualified as research as opposed to other types of expenditures and the individual errors that we noted were immediately corrected and we were providing real time information to Kyle and Taylor and the team as we were going through the audit. We actually did it in two pieces, as we did last year. We did what we call interim testing in the summer, where we looked at the first about eight to nine months—eight months of activity. We provided feedback on that so that they could make accounting adjustments in real time as well as prospectively. And then we tested the remaining four months of the year during the fall as soon as the University's books were closed. Literally, we were pulling our samples and beginning that testing. Even after consideration of the error rate that remains in the population, in other words, they corrected the individual errors that we saw, but we did our sampling in a way that we could extrapolate the results out to the entire population,

in other words to the entire \$50 million. So there remains an error rate of about three percent, even after consideration of that remaining estimated error rate that does not take the \$50 million down below \$45 million. So, I am very comfortable in saying that the \$50 million reported to the Coordinating Board is materially correct and it should withstand, without difficulty, the state audit that is going to be following."

Chairman Turner opened the floor for questions for Kim.

Kim continued, "And I want to make note too, I am not aware that the University of Houston, that my counterpart Don Guyton there has done an audit of their restricted research. I do know that Toni Messer who is the auditor at the University of Texas at Dallas is beginning an audit of their RRE for this fiscal year. Those are the only two that I am aware of that are going on at other institutions"

Regent Scovell asked, "Guy or Kim, the way you're explaining this, do you expect slippage in some of these other universities? Do you think they're keeping score different from how we do?"

President Bailey answered, "Yeah I think so. Kyle indicated to me that no other institution had done an audit yet. He says probably only UT Dallas is doing that now. If you have your auditors come in, there are always things that you count, and Kim gave a great example of something that we had—money that probably is restricted research money mixed in with some other kinds of money and again, unless that is very carefully separated out you get some error in there. The other thing that you have frequently, sometimes people will travel in one fiscal year, near the end of the fiscal year, and then do reimbursement so the expenditure is really in the next fiscal year. There are a number of little things like that and we have tried to correct everything. And yes I would be surprised if there were not slippage in some of the others if they have not done audits, absolutely."

Regent Scovell asked, "And what do we think the state will do to validate? Are they going to audit the auditors?"

President Bailey and Kim Turner both responded that they think the State will do their own audit.

Kim Turner continued, "I think they will do their own audit. Of course, they will audit the other criteria which we did not audit, but I think even with restricted research expenditures, they will probably want to look at our work papers. They will probably want to look at the way we did our work. They will definitely look at our reporting, but I do think they will do their own audit. I don't think they'll just say 'Oh Kim's group audited that,' I think they will do their own. We used very conservative assumptions in our audit. If anything was in doubt, we sort of called it out and that was to help make sure that we did not call something okay and then the State Auditors come in and have a more conservative view. So, we took very conservative, very sort of hard lines, on cut offs surrounding travel, surrounding expenditures of other kinds of expenditures including the purchase of assets. So, if it was not at Texas Tech on August 31<sup>st</sup>, it

didn't get counted. We were very conservative, but we did that so that we could make sure that everything was just right when the state auditors come in."

President Bailey continued, "We do think that the state auditors, in fact, will do an audit and we think it is going to be in March?"

Kim Turner answered, "From the latest discussion I had with my contact there, he felt like it was unlikely to begin before March and that timing makes sense because the State Auditor's Office issues both of the huge statewide financial reports, the statewide financial statements as well as the statewide audit of federal funds. Those are always issued in very late February and it takes significant numbers of their staff working on completing those audits. Those audits do appear to be running a little bit early, about a month early, in terms of them giving us recommendations and us responding. Texas Tech University and Angelo State were both included in the statewide audit of federal funds in the student financial aid areas. We have provided responses already which is a little bit earlier than usual, but I cannot imagine they are going to get the reports out a month earlier than usual. So, I think March is probably likely."

Regent Anders stated, "Dr. Bailey, I would echo what our Chairman said—the results are just absolutely remarkable. Taylor can you quickly describe why we have had such great growth from 2008 to the present in research?"

Dr. Eighmy responded, "One of the things that Texas Tech does better than anybody else is fundraise and the efforts of the chancellor and Dr. Overley and her staff in bringing in a lot of gifts that were purposed to research and could be matched by the TRIP funds was a monumental boost in the arm for us. So that was really important. If you look at the table on page seven of the report that I just issued, there's a description of the total research expenditures by category and you'll see that in the federal dollar category and in the state appropriation category and in the state grants category, all of our categories increased. So, we have talked a little bit about some of the growth of going up to \$142 million being our proper accounting procedures being applied. But additionally there is just a lot of new activity that has been happening here. Much of the report that has been presented talks about trends all across the board of positive behavior by our faculty. This is all driven by the behavior of our faculty going after competitive awards. NSF especially, we've done really well with them. There are just a lot of good things that have been happening and it is attributable to many things, but I would say that our fundraising has helped us immensely. So, thank you to chancellor and Dr. Overley."

Chairman Turner stated, "My impression is that Kyle Clark's careful analysis of the numbers has been very helpful to us in terms of proper characterization of research expenditures. Thank you, Kyle. You know Dr. Bailey, this stair step chart is really interesting and it, I mean, what leaps out at me is as we do our—Nancy you and I talked a little bit about this—as we do our strategic planning, I think at least as it relates to Texas Tech University, we really need to focus on steps four and five. It's interesting, if I'm reading this correctly, of the seven emerging universities, only two have national rankings. So, we're ranked 160<sup>th</sup> and you're saying with the bump, the spike that we've

enjoyed in our research expenditures, hopefully we're going to move up, but the goal is to move to the top 100. That would be just a terrific aspirational goal."

President Bailey said, "I think that is very much possible. I should thank Chris Cook. I did not do this; I could not do this, but it does lay out where we have come and where we need to go."

Dr. Bailey stated that was the conclusion of his report.



SGA President's Report  
Texas Tech University  
Board of Regents Meeting  
December 16, 2011

Tyler Patton presented his report to the Board: "Thank you Mr. Turner and thank you members of the Board for allowing me be here this morning. I have a fairly straight forward report. It has been a pretty successful semester I'd say for Student Government and in terms of the year. We have a lot to look back on and be really proud of. Among those things, just kind of a recap, we were putting together our end of the year report for the division. I don't think I realized quite hard all of our students have been working. It really stands as a testament to their hard work about our ability to make our off-campus transportation self-sustainable for the future. I think that that has been huge—some of the reforms that we've made especially in campus transportation. We're going to be able to tell students when they come to school next year that we have increased storage for bikes on campus by almost 400 around Holden Hall and the Engineering key. We actually funded a project that we initiated with parking services in the summer and it's going to be finally completed over the course of this break. We're going to be able to say that we've increased biking storage by the largest percentage in four years. So that's been a pretty significant development on that end. We've come full circle. We had a lot of changes in the division and our students have really stepped up to the plate.

"We've opened up our committee processes so we can get more student representation on all of our university wide-committees and that's been something that we've met with great success. That really is because Kyle Clark and Dr. Munoz and Dr. Bailey and the Chancellor really believe that student input has a place here. I think that that's something that's really unique. When we went to Kansas three weeks ago for the Big XII SGA Conference, they could not believe the level of input that they allow here at Texas Tech. I think that that was really something that was great to reflect on. So, thank you all. It is a testament to you and I appreciate that. We appreciate a seat at the table.

"Since the last meeting, we have held three specific events geared towards diversity and campus inclusion through a partnership with the Division of Undergraduate Student Affairs, Undergraduate Education and Student Affairs, Dr. Munoz, Institutional Diversity, Jobi Martinez at the Cross Cultural Academic Advancement Center and great staff. We've held three great events. One of those was a scholarship dinner. We have also come full circle too with our diversity task force. There has just been a lot of opportunity to interface with our students and get a lot of feedback. I keep bringing this up, but we have finally wrapped up all of the research that we needed to do, at least for this semester, to be able to provide you with a pretty comprehensive report about what our students would like to see going forward in the area of diversity. I'm looking forward to be able to present that to you next semester.

"In terms of Internal Operations, we're going to be restructuring Student Government for graduate students. The Graduate Student Association is finally about to be off the ground and we're going to finalize some of the paperwork and the fine print—dot our I's, and cross our T's—to make sure that that infrastructure is ready for those students to have their elections in the spring and have a full represented Graduate Student Association that still fits underneath our umbrella of Student Government. So that's an exciting development with the Graduate School.

"One of my concerns going into the end of the semester—I think that it was really appropriate to see the Commissioners report this morning. We are finally seeing the fruits of the labor of the foundation that we've been laying for well over four and five years here for Tier 1 status. I think that Student Government is finally starting to take an approach to come around to student affairs and to invest in over the next five to ten years some significant funds or at least resources into evaluating how we need to address student affairs to make sure that it is matching. We would have incredible gains on the research side because I think that we all recognize that it's going to take a critical student affairs component to be able to keep students here to do the research that we want them to—to meet those benchmark. I believe we are certainly facing a wave of new students that we have never had to educate in a way that we need to in the next decade. Texas Tech has an incredible opportunity not only to map out our vision for student affairs and how we educate students and recruit especially Latino students to public universities in Texas. I just think that's a critical area for us to evaluate and there's also not a lot of data that we've been able to see. When we went to California and to the Big XII SGA conference, it was clear that not everyone's sure, especially in Texas, how we're going to be able to properly provide financial aid and sustainable higher education at least publically for those students. It is very interesting that we're now facing higher cost of tuition and cost containment is a concern. It is easy to see that a lot of these students especially in Central Texas and along the border, they fit an economic profile that we have never had to educate students with before. It would be a bold move for a university like Texas Tech to say that we have a plan to educate those students and recruit them. Locally, we can do better than 17 percent and that's something that Student Government has been evaluating. We can say that we're a national research university that's also committed to its community and I think that that's something that we'd like to see over the next five to ten years.

"That's my report."

Chairman Turner asked if there were questions for Tyler.

Chancellor Hance stated, "Just one thing. We have enjoyed working with them. When I came here we were a little less than 12 percent on Hispanic students. We established a Hispanic Task Force on Enrollment and did the same with African American students. The African American student rate has gone from about 3 to 5.7 percent. We're up in both. The trends are in the right direction. They have worked with us and we have really had some good work in that over the last five years."

Tyler added, "Definitely. That is something that we've recognized. Texas Tech has made some incredible gains in the last five and six years that a lot of universities like A&M and UT have had decades to figure out. So I think that the innovation that we have already exhibited is something that shows that we've got momentum to our backs and I'd really like us to harness that."

Chairman Turner said, "And Tyler let me tell you how much we appreciate your leadership of the Student Government Association. We really appreciate your comments about our seeking and wanting your input because that's absolutely correct and I hope that Hector and Calvin have the same understanding. We really do—we say often that students are our top priority and they are. So, we want as much input from our students as is achievable."

Tyler concluded "We appreciate it. Thank you."

President's Report  
Texas Tech University Health Sciences Center  
Board of Regents Meeting  
December 16, 2011

Dr. Mitchell presented his report to the Board: "I will actually keep my report very brief. You are receiving handout that has some summaries of things going on at the Health Sciences Center and in anticipation of Mr. Heldenfelds and Dr. Paredes visit today, I did will keep this very brief.

"I do want to comment just for one second about the *U.S. News and World Report* conundrum that you have at the Health Sciences Center. It's really interesting—fewer and fewer medical schools are actually participating in that survey. The criterion that are used for that survey are really not accurate. They're not good performance metrics for what we are looking for. We have, for example, what we're focused on and what we're trying to do more than anything is educate academic primary care providers that we can keep in the state of Texas. That's one of our big niches that we feel very successful at completing the task. If you look at the way *U.S. News and World Report* measures that particular metric, they look at who goes into internal medicine, family medicine and pediatrics. So, if students start in to those three fields, then they're given the ranking for that. What they don't look at is who stays in those fields five years later. For example, if you look at our sister institution in Dallas, they have a ton of their folks that go into internal medicine—a huge percentage of their medical school class goes into internal medicine. All of whom are planning to either sub-specialize or stay in research. So, UT Southwestern gets huge credit for all these people that go into internal medicine none of whom stay in internal medicine to practice primary care. So, they always get ranked very high as a primary care institution. The AAMC, the Association of American Medical Colleges, that's the governing body for the 135 medical schools in the United States. They look to see and their ranking criteria, five years after graduation, who remains in these fields? Who's practicing in internal medicine? Who's practicing in pediatrics? Who's practicing in family medicine? And if you use their rankings, we score at the 99<sup>th</sup> percentile. That is better than just about every medical school in the country. We're very proud of that. So, it's a conundrum for us to even turn in these criteria to *U.S. News and World Report*, understanding we're going to get pummeled by criteria that are not meaningful. One of our institutions in the State of Texas, they've found another way to get themselves ranked high. They go ahead and decide to add in other things and call them primary care. They add in emergency medicine; they add in OBGYN, and it pads their numbers because the numbers aren't verified by *U.S. News and World Report*, they just take the numbers you provide them. So, our choices are either to fudge our numbers, or to take a beating, or not to participate. UTMB this year has decided not to participate. It is really—the *U.S. News and World Report*—I find it interesting that for step four trying to get up to Tier 1, that's something that they really look at. I know that all of the students flip through those things and look at it, but for us it's a real issue, using that particular ranking for medical schools. So, anyway, that's just an aside.

"What I've done for my report is summarize some things that you already know—to tell you about the ongoing things that we constantly keep in the back of our mind regarding the budget and things of that nature. Our budget, as you know, for the first time since our school opened, our budget was literally smaller than it was the prior year and in the 40 year history of the University. We've got a budget now that's smaller than our previous budget was to the tune of about \$13 million for the fiscal year. We had a reduction in force that amounted to about 538 people, the vast majority of which were just closures and positions as they opened. We are really working our attrition rates with this—the natural attrition that we have of 12 percentage or so. As people get transferred out of positions, as they retire, we really evaluate the position to understand whether or not we really need to have it. If it is mission critical then we try to fill it from within if we can. We had 162 actual employees who were dismissed as part of the reduction in force; the majority of them however were picked up by entities that would take parts of the services that we were providing. For example, at the Permian Basin, we lost our WIC Program with all of the employees that went with that. However, a local group picked up the WIC Program and picked up our employees with it."

Regent Anders asked, "Tedd with this reduction in force. You have had a few months now to monitor it. Do you see any drop off of efficiencies from the elimination of these positions? Are we still able to provide our critical mission?"

Dr. Mitchell responded, "Not at all. The whole thing with this is to make sure that if there is anything that starts slipping on performance metrics then you know, that's something we are missing. However, one of the things that this whole exercise has done, it's illustrated those areas where we were already running pretty lean, and those areas where we really needed to get lean. So, moving forward with this, the primary thing, and Regent Scovell had asked about this at a Board meeting before, what are we doing to stay on top of this moving forward with the realization that the next biennium probably won't be fat with cash. The primary thing that we're working now is attrition, natural attrition, because we can save a lot of money and we can save a lot of heartache by just closing positions as they open rather than targeting people that are already in them.

"The other thing that we've done, the flip side of the coin, is that we've really worked to increase our revenue streams. We have practice plans in pharmacy, medicine, nursing and allied health sciences that we can work--primarily the school of medicine. We have had tremendous work done by our audit folks, by our compliance folks to make sure that we were billing the way we should be billing; that we were collecting the way we should be collecting, and we've also had a tremendous amount of work done by Brent Majors who runs our medical practice plan, MPIP, to insure we've gone through—we did this last year, we just went through this exercise again—to make sure that the practitioners are doing everything they can to be in the clinics when they need to be in the clinics, to see as many folks as they can while keeping our quality high. As a consequence, the profitability of our medical practice plan increased significantly over the last fiscal year. We actually lost several positions in Fiscal Year 11 who were under performing. The number, again we just completed this cycle again, the number that we're losing this year has gotten much smaller of the folks that are not performing. So, we've really worked that area nicely and the improvement has shown significantly for us. Our medical

practice plan increased. The profitability was nearly \$3 million this year and last time it was about \$498 thousand dollars for Fiscal Year 10. So we've done a good job with that.

"On number two, our enrollment—this is the highest enrollment that we've had in our history. We've increased our enrollment by about 400 for this academic year. Our final tally for the fall was 4,094 students. On number four, I've talked about the research efforts—I'm not going to go through that again but we did do quite well in this round of CPRIT funding and we're very proud of the fact that we have gotten the folks with CPRIT in Austin to understand that we're not one entity out here in Lubbock, Texas. Originally, when they were offering CPRIT grants they said 'okay well Texas Tech University Health Sciences Center, you've got your headquarters out there in Lubbock, you'll get one grant per cycle of equipment, things like that.' We had to explain to them that we've got multiple campuses with multiple sides of independent researchers, all of whom need to be considered. And they really took that to heart. So, we've been very pleased with the work that we've been able to do with them, not just at the Health Sciences Center side but also through the Chancellors Office with Jodey Arrington helping them understand the uniqueness of our needs out here.

"What we've done, as far as our strategic planning, we have got this categorized by campus and school. We have \$44 million dollars of HEAF funds that we have put aside \$11 million a year for the next four years and so we want to make sure that strategically on our campuses we are moving forward on projects that we need to move forward with, and we also want to make sure that school by school, the programmatic initiatives that we can help them with that we're doing so. So, this is just a summary, very quickly, of the various campuses and what we have going.

"Our primary project for the moment is in Lubbock. As you know, we have the VA Super Clinic project. The Board of Regents for us gave this a proclamation of interest for this. We have had a tremendous amount of work done by Dr. Bernie Mitemeyer and his team of Generals working with our folks here. Keino McWhinney in my office has done a tremendous amount in this effort. Ryan Henry now has a proposal, a copy of which you have, that has been delivered to the VA in Washington. He delivered this earlier this month and they are looking over this. We have had representatives from the VA that have been down here. They are very excited about it. The next step for us is to make sure that all of our congressional delegates get copies of this to make sure that congressional delegates who aren't necessarily in our area but who are VA folks get copies of it. This spring, Chancellor Hance and I will be going to visit with the Secretary of Veteran Affairs, retired General Shinseki to go over this proposal with him. The idea behind this is we've got to get on their calendar and get in front of everybody else that has proposals for them for these buildings. We are very excited about what this will bring to the Lubbock campus.

"In Amarillo, we have two projects that we are looking at. We are looking at a simulation training center. We just received six months ago 11.5 acres of property from the Harrington Regional Medical Center. That is a great piece of property that is contiguous to our current campus there. We've got an additional 11.5 acres. We are going to be

putting in a new simulation training center there. We will also offer classes and courses with West Texas A&M and Amarillo College. So, it's a community-based program that we have. We are also looking at a student and faculty center, a synergistic center, for student services and alike on that same piece of property. Mr. Molina has been working carefully with us and with the Amarillo community to get the drawings done for this. Kendra Buris has been working on the fundraising efforts—getting things teed up for that to move forward.

"In Abilene, Regent Neal was just with us, with the Chancellor and I, for the groundbreaking of the new School of Nursing building. That was held on November 7 of this year. We had a lot of folks from the community there. We are hoping to have student nurses in by this fall. So, we're going to be pushing hard to make this happen by fall of 2012. We also have moved one of our programs. We have a masters in biotechnology program that we've had for the longest time that is housed in Lubbock. During our last SACS accreditation, our last reaffirmation visit, they were looking at things and said 'well you've got this biotechnology program; it's a great program but it was languishing.' We only had about five students in it at the time. The folks in Abilene, the faculty that we had out there said 'look, give us that program, we can really make this thing go' because they've got at McMurry State and at I believe ACU, both, they've got a bachelors in biotechnology program there looking for a conduit program for it. So, we have moved our masters in biotechnology program to the Abilene campus. We've got some excitement not only here in Lubbock for that but actually out in El Paso with Dr. Trey Miller, they're lining up people from their program to be interested in helping to teach this thing through distance learning. So, we're excited about that. We're also looking at a new department for the School of Pharmacy in immunotherapeutics and biotechnology. Dr. John Weidanz out there is a real go-getter when it comes to commercialization potential of drugs. He has been working not only with the Health Sciences Center and with School of Pharmacy on this, but he's also been working with Vice Chancellor Arrington on some commercialization potential as well.

"In Dallas/Fort Worth, at the last Board meeting we had received approval from you to open up more space in our School of Pharmacy building on that campus. We also have plans for additional expansion to include not only the augmented research which we get from the money that we have from CPRIT. We do that very carefully in conjunction with UT Southwestern because a lot of what's good for us over there with CPRIT funding and everything else is also very good for the guys right there across the street from us. So, we're excited about that.

"In the Permian Basin, we just received a \$1 million donation from the Wood family for simulation training equipment. The Medical Center Hospital there in Odessa has done a phenomenal job as part of their entire refurbishing project from constructing additions to their hospital to giving us an entire floor of the hospital. We have on one end of the floor of the hospital, the seventh floor, a new simulation training center that they're building out completely. On the other half of the floor, the other wing, that's where they're going to have all of the Texas Tech patients housed that we're admitting for internal medicine and family medicine. So, you can quite literally go in and be doing

your simulation and say 'listen we're having a funny murmur that we're hearing over here on the floor on Mrs. Smith here, let's go over to the simulation center and take a listen and see how it's supposed to sound, tell me what it is. So, it's the best kind of environment that you can have, where you can have live patients on one end of the wing, and have simulation equipment at the other. We are extremely excited about that project. That is moving forward as we speak. We are also going to do some finish out work on the third floor of our medical building there and we are revamping the auditorium. It's been about 30 years since the auditorium was finished out. We have got work going in the Permian Basin that we're excited about as well.

"In El Paso as you know, we've been having meeting after meeting after meeting, a lot of work going in to the development of an independent health sciences center out there. This is going to require a lot of time and effort; it's going to require a lot of input from a lot of people moving forward at a relatively short period of time. We have had a number of meetings with folks from the Paul Foster School, from the Gail Greve Hunt School. We are also looking at what is currently the Department of Biomedical Sciences, run by Dr. Trey Miller, to develop that in to an independent graduate school of biomedical sciences as well. They do a lot of work through the Department of Biomedical Sciences right now with UTEP and some of the other entities in the area and it's a very natural kind of relationship that you have with biomedical sciences where you can do that, work with engineers and other things. We are excited about the potential to grow that third school out there relatively fast."

Chairman Turner asked, "What kind of timing are we looking at for that?"

Dr. Mitchell answered, "Well, I will tell you from the perspective of the legislative session. One of the things that we, again if you kind of get a feel for what the folks in the state are doing, Senator Kirk Watson is pushing hard and fast as you guys are probably aware, for a four year medical school in Austin at the next legislative session. One of the things that he has put forward that he actually presented at the TMA meeting, were the ten steps necessary for a medical school to occur in Austin, Texas. And if you look at the ten steps that they have on there, there's a huge financial ticket that goes with that to make those things happen. There talking about doing things like refurbishing Seton, doing all these big major projects in order to have a medical school there. If you look at the criteria they're using for that, we've already hit the vast majority of this criterion out in El Paso. So, the hurdle for us to make that a health sciences university relative to them declaring a medical school, the hurdle is actually much lower for us. So, from the perspective of what needs to happen with that, it's going to be a lot of politicking. With this group here, there are a lot of discussions and things we need to have. From a timing perspective, being able to contrast this against what they're trying to do in Austin, I personally think it's a good time to go after it. So we'll see. We've got a lot to do. We have had meetings going on for the last four or five months, just about everything that it would take from the standpoint of governance, of money, the finances of everything, and as much as anything, all the things that they could basically continue to do and outsource back here. For example, things like library services, it makes no sense for them to try to redevelop a library service when most of the stuff is done online anyway. So, we're looking through right now and again, there are a lot of things going



through this, but we're going through them one at a time, over and over and over again until we can get it condensed down to the point that we've got something to bring to you. To show you what it is that we can do and with the delegation to show them what the price tag for something like that would be.

"Then, if you break this down by schools, and I'll go through this briefly. I tried to make all of this very self explanatory for you. If you look at school plans, we also then have our programmatic initiatives for the various schools. If you look at our schools of medicine, one of the things that I'll be sending from my office is a DVD that we're now using for our candidates for the school of medicine. Regent Fadal has participated in doing this; it's a fantastic DVD that really summarizes what the school is about. The thing runs about 10 minutes; it's too long to show here today with everything that is going on, but I'm going to send you a copy. Please look at that. It's extraordinarily impressive. This is what we're now showing our candidates as they come to campus and are visiting for their interviews for medical school here. It's a phenomenal CD.

"We are working with our incoming students to the School of Medicine. I've asked the Deans, Dean Delarosa and Dean Burke to make personal phone calls to all of the top students that we're after. I'm making personal phone calls to the students that we're after. We are really trying to put on a full court press with them. We're redoing our scholarship monies for the students to make sure that we are as competitive if not more competitive than our peers in the state for scholarship money for the students coming in. Scholarships are not as big of a deal for the School of Medicine, because our School of Medicine is already less expensive than most places around. Nonetheless, it is the type of thing that if you can sweeten the pot, we're trying to do that. We are really, if you look at the first round of the acceptance letters that we send out, have some phenomenal students at both schools that we're looking at bringing in. There will be more on that later.

"Here in Lubbock we have been developing a Department of Public Health within the School of Medicine. There are two things going on with that. From an educational perspective, we are working to the entity that houses our Masters in Public Health Program. We've been working through the Coordinating Board on exactly what the timeline for that is. Dr. Rial Rolfe has done all of the leg work on this. We're excited about getting that going, not just as something for students that we may have coming through, but also for faculty development as well. I don't know if you guys know, but here in the City of Lubbock there have been real issues with the City on being able to finance and fund their own City Department of Public Health, so we've actually been able to work with them and we continue to work with them on things that we may be able to do to help them achieve some of their service mission for things like getting vaccinations and stuff like that that we could help them do. So we're trying to work with the City of Public Health Department here to make sure that they don't have to close that City of Public Health Department, but so that the Health Sciences Center can help them along the way. For example, we have a new Infectious Disease Fellowship program that we'll be offering starting this next summer. Part of that will be our Infectious Disease Fellows will work at the City Health Department doing their sexually transmitted disease clinic for them. You know, it's one of those things it's very rare that

in public health departments you get Infectious Disease Fellows at that level, working for something like a STDs clinic. So there are ways that we can work with them that we're really excited about.

"For the Anita Thigpen Perry School of Nursing, Dr. Michael Evans, the new dean who you just confirmed tenure upon, will begin January 3. He's already been coming back and forth umpteen times since October. We're very excited about having him here. He is very involved not only in the academic world, but in the nursing political world with some of their national organizations. The fact that he's engaged nationally, the fact that he is an academician, and the fact that he is from the local area, are just plus, plus, plusses for us and we're just excited to have him come down.

"School of Pharmacy, we just went through the Accreditation Council for Pharmacy Education site visit in October. It's not a concern, but one of the primary challenges that they expressed to me on their exit interview, was the fact that we're losing our dean. As you guys know, Dr. Arthur Nelson will be retiring, stepping down from the dean's position at the end of May of this year. He's going to stay on as a professor for a period of time before he fully retires, but we are in the process of getting a search firm to bring in a new candidate. The Schools of Pharmacy are growing fairly rapidly in the nation, which means that there are lots of folks out there looking for deans. We've got a phenomenal school, we felt very comfortable that we will be able to get a tremendous candidate for it, but we do have a national search firm that's going to be helping us with that.

"School of Allied Health Sciences, Dr. Paul Brook will be retiring as well this coming summer. We actually have some folks internally that are phenomenal in that area and so we've got plans that we're looking at internally, there will be more about that later as we come along.

"The Paul L. Foster School of Medicine will be having its first graduating class in 2013. The class size is 80 with the ideal going to 100 and then keeping it at 100 and moving them up to eventually where they have a total school size of 400 students.

"The Gail Greve Hunt SON admitted its first 38 students this past fall. Their goal is to have 300 students in by 2016. Their next site accreditation visit will be in September of this year and we have them working very closely with the Anita Thigpen Perry folks here to make sure that they get all of their accreditation things lined up the way they need to.

"Finally here as far as schools go, with our Graduate School of Biomedical Sciences, the one thing that I want to point out to all you guys, this is the season where everybody here, all of us, get asked by friends and family, 'is there an option for a student, I've got a student that I really want to get in to med school is there an option for them?' We have, for students that perhaps need a little bit extra work, a little bit extra help, a phenomenal masters program—masters in premedical sciences. So, for a student who would love to go into medicine, but for whatever reason something's in the way, their GPA is not where it needs to be, or their MCAT isn't where it needs to be. We have a phenomenal program where they can enroll in our graduate school for a masters in

premedical sciences. They will take courses that the medical students are taking in anatomy, and biochemistry, and such courses. They will also undergoing an intensive MCAT review course the entire time. This is a program that when they come here, we'd love to get these guys in here and kind of beef up their numbers and accept them here, but it also prepares them if they want to go to school at UT Southwestern or other places, but it's a great program that we have because I know that everybody gets inundated with these types of calls. So, if we have somebody that is really interested in medicine, but they really need more work, we have a conduit; we have a program they can involve themselves in. So please keep that in mind."

Chairman Turner asked, "Ted, is that a two year program? How large is it?"

Dr. Mitchell answered, "It is a one year program and it is actually very small. It's a handful of students that are enrolled at one time."

Mr. Francis asked, "What's its capacity? It may be harder to get into that program than it is to get into medical school."

Dr. Mitchell answered, "If we looked at the number of people that we have, that I call the students of interest every year, there would be no problem getting them into this program. One of the things that I want the Graduate School to do is to grow independent from the School of Pharmacy and School of Medicine. Right now, the Graduate School size always stays at about 100. Those are basically students who are involved with pharmacy or medicine anyway, but I would love to see our Graduate School start growing its own population for the formula funding that comes with it and everything else, but independent of the other two schools. So, this is a great program to keep in mind when you're talking to folks that are looking for something for a student of interest."

Chairman Turner asked, "Is this a new program? I just have never heard of it."

Dr. Mitchell answered, "It's not that new. They just changed the name. They just changed the name this last year to masters in premedical sciences, but when I found out about it, I said 'guys, we should really be advertising this.' I know that when you have everyone calling you asking what can we do for my son or my daughter, or my friend's son to get into medical school. We've got a great program for you here. If there credentials aren't where they need to be we can really work to help them. That's here in Lubbock."

"And then finally, the leading the way initiative, Vice Chancellor Hudson has been working carefully with the various components. One of the things that we're doing is making sure that the metrics that we're following for the leading the way initiative are ones that are meaningful for us. For example, one of the criteria that Dr. Bailey has discussed for Tier One for TTU is number of doctorates awards. Well the vast majority of the degrees that we offer are doctorates. So, as far as using that as a metric for us, it's really not a meaningful metric. So what we're doing is working with Vice Chancellor Hudson on the metrics that are meaningful for the HSC to be followed with as well,

because in my estimation, if you have a metric there needs to be something that you're trying to monitor with it that is views. We have taken that same concept and since we're now out from under this big budget crisis from the last go around, I've actually asked our dean's and all of the VP's to come up with the same type of performance metrics for their divisions and for their schools, so that moving forward we can be monitoring those things. A quick example, something like average GPA's coming in, average MCAT scores, average PCAT scores, so the metrics that that particular dean or that particular vice president can say, 'these are good metrics for my school that are meaningful to us, that we can monitor from one year to the next and get some benefit from.' So, we're in that process. I've got the master list now of everybody's input on that and I'll be meeting with them individually to go through their performance metrics so we can implement them and use them moving forward.

"That is the end of my report. Any questions?"

Chairman Turner thanked Dr. Mitchell for his report to the Board.

SGA President's Report  
Texas Tech University Health Sciences Center  
Board of Regents Meeting  
December 16, 2011

Ashley Davidson, Vice President for Communications of the SGA, presented her report to the Board: "Thank you for allowing me to be here. Calvin is taking a final exam this morning. He sends his apologies that he was not able to be with you today. I have a few things to report—things that we've been doing with the Student Government over at the Health Sciences Center.

"We hosted a Holiday Extravaganza for students to come and relax a bit right before final exams. We also collected funds and canned goods at that event which were donated to the South Plains Food Bank. We raised \$180 and collected 60 cans of food. We had 200 students attend that event. That was a good turnout for us considering that finals were going on. We also took some of the leftover food, treats and goodies over to the Ronald McDonald House for them to enjoy as well.

"Our Senators participated in a total of 383 community service hours this semester. That is one of our big focuses that we are pushing for. Organizations such as Habitat for Humanity, Children's Miracle Network, AMBUCS, and Toys for Tots were just a few that were among some of our service projects.

"We are currently working on a couple of projects right now. A group of senators—one from each school—including myself composed a team who look at the mobile web version that we have. It's not an app, but it's simply the website in a format that's more compatible with the smart phones. Our team looked at the current version that they had and made some suggestions, evaluated the format, and we presented that to the IT Team and they have made changes to layout formats, different designs, just to make it more user friendly. We're planning to have a big PR campaign in the spring to really push that out to students and faculty to let them know that that's there.

"The last thing I have is that we are in the process of getting out more bike racks as well and I think that bike path that we've put in has really increased the number of students that are using the bikes, which I think is a great thing. We actually had a request from a student come to their representation, and that was brought to us and that was just a good process and so we have bike racks and more air pumps that are going in.

"That is all that I have, any questions?"

Chairman Turner thanked Ashley for her report.

President's Report  
Angelo State University  
Board of Regents Meeting  
December 16, 2011

Dr. Rallo presented his report to the Board: "Our enrollment figures continue to be very strong. Preliminary enrollment figures for spring 2012 are up—16 percent more students have been admitted compared to last spring. Hispanic admits are up 24 percent, but most importantly, our SCH, or student credit hours, are up 5 percent for undergraduates, and 30 percent for graduate students. A concern remains in freshman applicants. They are slightly down and the chancellor was on campus last week to meet with some community members to see if we can get them involved in a marketing campaign. As Dr. Bailey mentioned, we certainly will use the low debt burden carried by ASU students as reported in US News as part of our marketing campaign.

"In November, I was in South Korea and I signed an agreement as I mentioned with Sejong University. We've had about 50 of their students on campus over the past two years and they are great students. So, I signed an agreement basically for one plus three; they'll do one year of ASU classes on site in South Korea, and then come to us for three years. Once the program is fully implemented, they'll be sending at least a 100 students per year. So, within three years we'll have 300 students."

Chairman Turner stated, "Say that again, because I want to make sure that everyone's heard that right."

Dr. Rallo continued, "They'll do a year over there, basically our classes will be taught over there for a year, and then they will come to us for three years, and they'll send at least 100 students per year. So, within three years we'll have 300 students. And these are great students. As I said, we've had about 50 on campus. When we were there we met one of our students who was studying there. It was very interesting. She was a young Hispanic woman taking Korean. She was already proud of the fact that she could write quite well in Korean."

Chairman Turner asked, "Now, when do you expect your 100?"

Dr. Rallo answered, "The program will start in August of 2012 and we expect it to be fully functional by January 2013. I've dealt a lot with international programs over my career and what was very refreshing was that often times when I deal with countries they ask how much we can put in. Dealing with the South Koreans, they ask how big of a check do you want us to write for marketing and things like that. These students will live on campus, they will be counted in formula funding and will pay out of state tuition, so this is a great opportunity for us.

Chairman Turner asked, "And they will get a degree from Angelo State?"

Dr. Rallo answered, "Yes, they will because they will be on campus for three years. So, it certainly meets that criteria, but they'll also take the first year there of our classes. So

they're basically taking four years of our degree. "The thing that's happening also in South Korea is the fact that they are going to start to compress the number of institutions of higher education. They decided they have too many, even with this huge demand. So, I think this is a great opportunity. We—Guy and Tedd and I—have talked a little bit about how we might be able to expand these sorts of things in terms of that.

"As Commissioner Paredes mentioned, we need to do more with the high schools. I was in Roscoe about two or three weeks ago and signed an agreement. The students will do two years at Roscoe High School and then West Texas College is offering their associates on site for two years, and then we signed an articulation agreement to transfer to us. So, two years from the high school, two years from West Texas, and then two years from us. And a lot of other small school districts have approached us because they like that idea. So, once again, closing the gap, we're trying to work toward assisting that.

"The evolution of our Honors program continues at pace. Dr. Shirley Eoff is a professor of History. She had been the half time director but now she's the full time director of the program. We also received a letter November 28<sup>th</sup> from Phi Kappa Phi that our application for membership had passed the first review step and they will send a reviewer to campus in the spring and barring something odd, we believe that we'll be allowed to charter a chapter in the spring. So hopefully by the May Board meeting I'll be able to bring that information back.

"I wanted to publically acknowledge Dr. Limbaugh; Jim Limbaugh had been with us for three years as vice president for strategy, planning and policy. He has taken the position of chancellor, which is president, for Montana State University Northern. For those of you that want to visit, he is 25 miles south of the Canadian border. I understand the sunshine window of somewhere about six weeks in July to August, so you may want to go visit him then.

"I know we have no Carr Report, but Regent Long had asked about this. Let me just give you a couple of things about the Carr that I think are really very interesting. It was started in 1980 with a gift of \$2.9 million and it is now worth about \$95 million. In addition, in 1977 we received a separate \$1 million for our ROTC program so that makes our ROTC unit the largest privately endowed ROTC scholarship in the country. From 1981 to 2011, over \$72 million has been awarded in Carr dollars, nearly 7,000 students have received them, and in the last ten years it's been about 36 million dollars. I will give more information later, but I thought that was rather interesting. It's been a great success, and obviously Regent Long is one of our great success stories.

"I'm happy to answer any questions."

Chairman Turner asked, "How did our association with Korea come about?"

Dr. Rallo answered, "That's a good question. We decided about two years ago to start focusing on some parts of the world where we thought we would have the ability to engage in these activities. As you well know, personal relationships are vital over there. Dr. Lee is one of our faculty members who did his undergraduate work in South Korea

in Seoul and did his graduate work at Sam Houston. So, he began on behalf of the University to engage in partnerships and agreements and arrangements, so we brought about 25 of their students over for our English language program. They engaged and they stayed on campus. Then the second year they brought even more. I hosted their vice president. A small story, and again, answering your question, what really solidified this, because you know my wife Barbara started the host family program as a volunteer about ten years ago. She goes to the airport to meet all the students, or as many as possible, and she brings them a bag of goodies and some blankets and things like that. So, I often times go with her. And, so, the second group of South Korean Students from Sejong had arrived and it was a late flight, most flights in San Angelo are late these days, but it was a late flight at night, about ten o'clock and she had the bag of goodies and I had shorts on and sandals, and she just introduced me as her husband. And the students shook my hand. Then a faculty member told them who I was, and they thought that was really nice. They emailed back that first off, the president met them and president brought them some stuff, and when I met with their president over there he said 'that's what separated our opportunity, our offer from a lot of other ones that they had.' So, it's making it intentional, it's following through, but also just pure serendipity sometimes."

Mr. Huffaker asked, "Dr. Rallo, I want to ask about the two plus two plus two program that you mentioned? I gather it is the last two years of high school, then two years at West Texas?"

Mr. Francis added, "They're going to high school through college in eight years?"

Dr. Rallo answered, "No, they do it in six years. In other words, the last junior and senior year in high school are being offered by the community college. They're walking out with an associate's degree. That's what's happening a lot of times now because a lot of these smaller school districts cannot offer that last four by four by four curriculum, so they will walk out with an associate's degree, and then they will ideally transfer to us and complete. So, basically it's a four plus two if you will. The interesting thing is that it's associated with a program called AVID. The AVID program started out of California, for at risk, but academically talented students. We were down in Ozona about six weeks ago and did something very similar. There 15 percent of the students are in the AVID program, which is like a college prep, not so much for academics but for the support networks. In Roscoe, 100 percent of the students are in that program. They have taken a lot of the windmill money and have put it right back in to the high schools. So, they're doing four years in high school but they will walk away with the associate's, and then ideally come to us for the two years."

Mr. Anders asked, "Joe, you had some really good things in your report. Would you mind memorializing that in an email or something? There's some really good things there that we'd like to keep up with I think."

Mr. Francis asked, "And about how many students are in Roscoe. I want to get a sense of how this type of program could roll out."



Dr. Rallo replied, "I will get that report to you. As for the number of students, it's very small. If there were thirty-five students in the high school..."  
Chancellor Hance stated, "It's about 200-250 in high school."

Dr. Rallo added, "Yes, what's interesting, I didn't know what to expect quite frankly. You take a left in Sweetwater and go to Roscoe and they had a tax base of about \$40 million until three years ago and now they have a tax base of over \$400 million because of the windmills. They are putting that back into the high school. So, the first thing that I asked the superintendent, I said 'this is a great formula, but what do the school districts do that don't have money?' So, they're really trying to work on this sort of a college prep program and export it if you will to places that don't have their dollars. But they've put a lot of money into their schools."

Mr. Huffaker stated, "Those students in those last two years of high school, for formula funding I take it, West Texas College and Roscoe High School are both being counted."

Dr. Rallo added, "Yes, no one is losing money on this thing but again it goes back to the Commissioner's point, that we probably need to do a somewhat better job of allowing those students in the smaller school districts to be able to get the level in the junior and senior year of math and science and English, etc. that would allow them to go to a university and a lot of those small school districts just don't have the teachers to do that."

Dr. Rallo concluded his report to the Board.