

APPENDIX 1

Documents to Support Verbal Testimony

Testimony to the Senate Committee on Higher Education
Senator Judith Zaffirini, Chair

Endowment Compliance Program

of The University of Texas System

RANDA SAFADY
Vice Chancellor for External Relations
March 25, 2010



THE UNIVERSITY OF TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Program Mission

- Stewardship of the public trust and \$6.4 billion of endowed philanthropic contributions (FY 08)
- Ensure compliance with applicable laws, policies and procedures, and endowment agreements

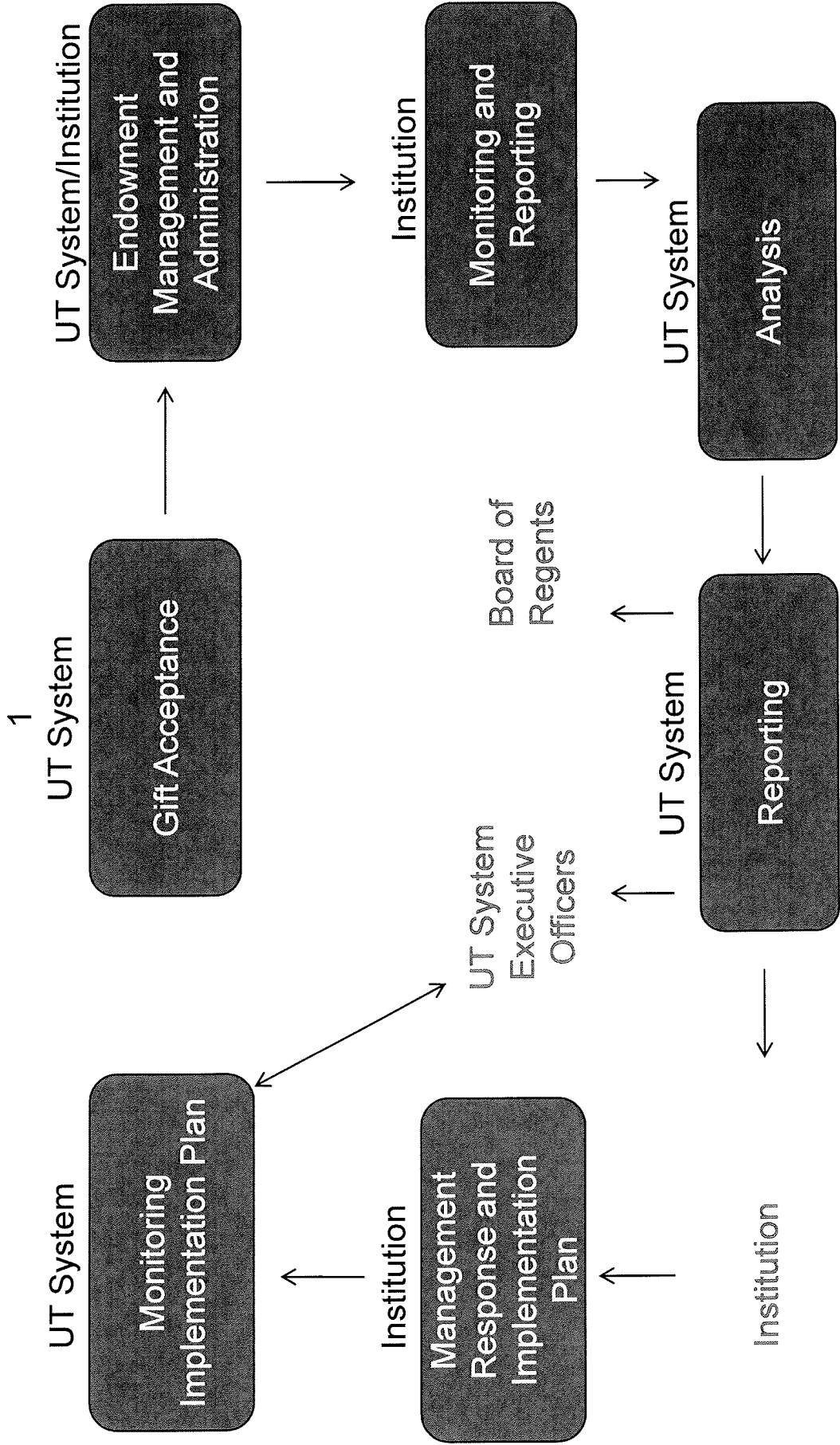


Four Program Elements

- **Risk assessment**
 - Annual review of endowments to identify and correct risks in order to fulfill institutional objectives and honor donor intent
- **Monitoring plan**
 - Activities performed, based on risk assessment, to identify and ensure compliance
- **Education and training**
 - Ongoing training to educate staff and endowment signatories on compliance issues, including use of funds
- **Reporting**
 - Endowment reports provided at least annually to donors and reports on endowment compliance provided annually to Board of Regents, UT System leadership and UT institutions

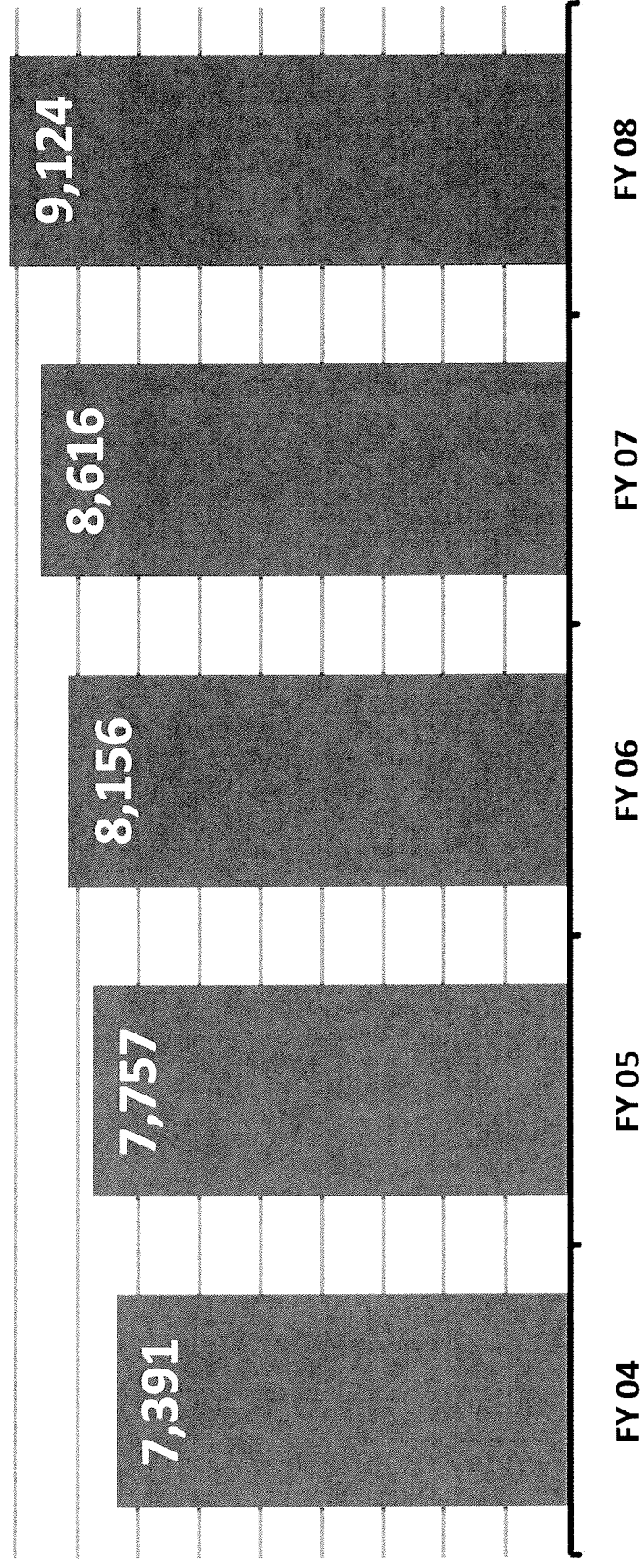


Endowment Compliance Cycle



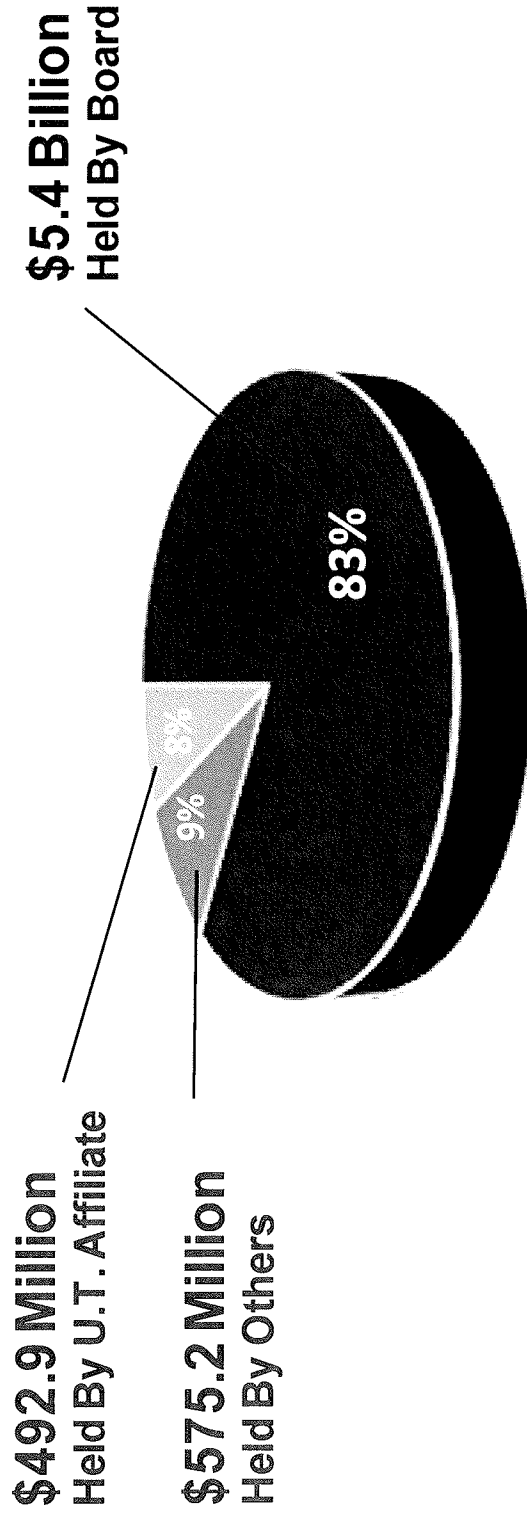
Scope of the Program

Total Number of Endowments



Scope of the Program

2008 Market Value

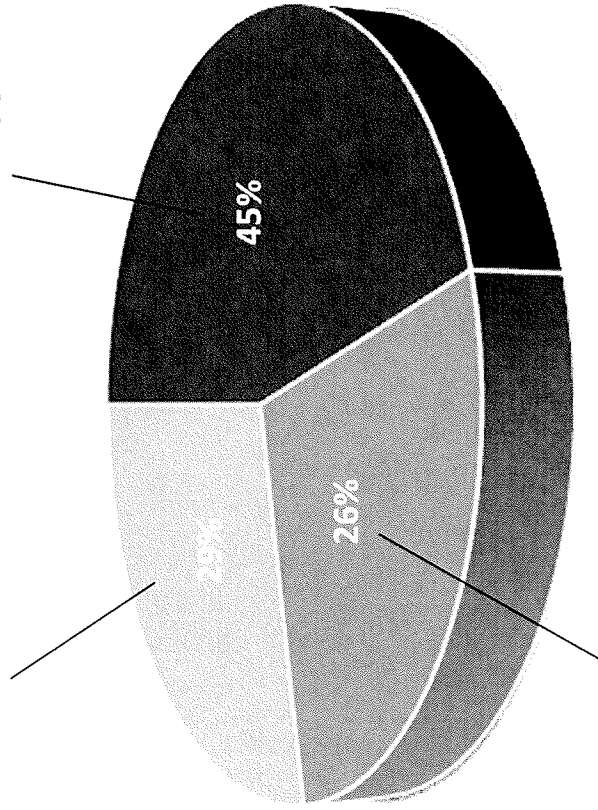


Board-Held Endowments

- The 8,250 Board of Regents-held endowments as of August 31, 2008 are restricted as follows:

Number of Endowments: 8,250

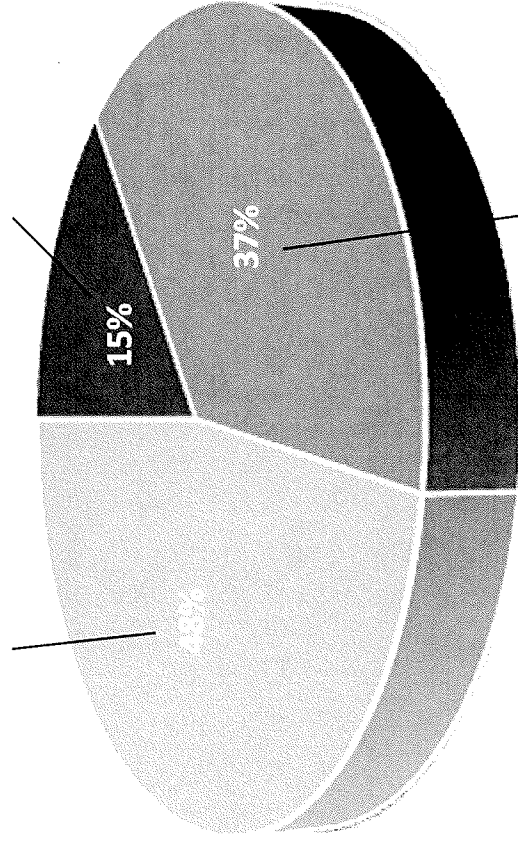
Program Support/Misc. Student Support



Academic Positions

Market Value \$5.4 Billion

Program Support/Misc. Student Support
\$2.6 Billion \$803.5 Million



Academic Positions
\$2.0 Billion



Primary Risks Monitored

- **Excessive accumulations**
 - Accumulations of endowment's earnings above the standard set by the institution
- **Inappropriate expenditures**
 - Expenditures outside terms of endowment agreement
- **No expenditures**
 - Endowments from which no funds have been expended during the reporting period
- **Unfilled endowed academic positions**
 - Positions without a holder appointed



Funding for the Program

- Board of Regents allows each institution to receive an annual fee of 0.08% to 0.2% of the market value of its endowments
- To receive more than 0.08%, institutions must submit audited fee assessments and certify their fee expenditures
- In FY 08, \$6.7 million in fees was distributed to support endowment management and administration across the UT System



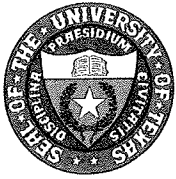
Results

- Program is working -- risks are being identified and corrected
- Institutions are diligently monitoring endowments and reporting to donors
- Additional baseline data will allow us to determine specific trends
- Analysis provides ability to preempt and reverse any future negative trends



APPENDIX 2

Samples of Reports to Endowment Donors



The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Office of the Chancellor
601 Colorado Street, Austin, TX 78701-2982
Phone: (512) 499-4201, Fax: (512) 499-4215

March 18, 2010

[REDACTED]
[REDACTED]
Austin, TX 78703

Dear [REDACTED]:

With my second year as Chancellor underway, I am pleased to share with you how encouraged and gratified I am by the ongoing philanthropy at University of Texas institutions. Through your involvement as an endowment benefactor and as a member of the Ashbel Smith Circle, you are crucial to the U. T. System's successes, and your special efforts are very much appreciated.

While other income sources can vary widely in fluctuating economic conditions, endowments such as the [REDACTED] *Endowment* consistently provide a dependable revenue stream. They are skillfully managed by the University of Texas Investment Management Company (UTIMCO), which year after year balances the needs of today with the interests of future beneficiaries. While this is no easy task, UTIMCO has been able to outperform its benchmarks and maintain spending on a sustainable basis in a period of distressed capital markets and investment losses. In the face of such uncertainty and risk, I assure you the U. T. System remains a responsible steward of your gifts, and we are focused on continual improvement.

Your generosity allows the Board of Regents to attract and retain the highest level of leadership for the U. T. System and funds initiatives to encourage world-class education, research, and healthcare at U. T. institutions. By underwriting excellence throughout the System, your endowment preserves and extends the legacy of quality higher public education for the people of Texas.

Enclosed is a report that details the growth and performance of the [REDACTED] *Endowment*. An article about Chancellor's Council members Cindi and Rex G. Baker III is also attached. Throughout four generations, the Bakers' commitment to give back to the U. T. System is truly inspiring. I hope you will take a moment to read their story. In an effort to contain costs, we have not enclosed UTIMCO's annual report or the report on the Permanent University Fund as we have in the past. I invite you, however, to access this information via the UTIMCO Web site at www.utimco.org. If you prefer to receive a printed copy, please contact Ms. Emily Freeman at 512-499-4777. She will be happy to forward one to you.

Once again, I thank you for your support of the U. T. System. Working together, we can create a vibrant and prosperous future of unlimited possibilities.

With great respect,

Francisco G. Cigarroa, M.D.
Chancellor

FGC:ef

The University of Texas at Arlington

The University of Texas at Austin

The University of Texas at Brownsville

The University of Texas at Dallas

The University of Texas at El Paso

The University of Texas - Pan American

The University of Texas
of the Permian Basin

The University of Texas at San Antonio

The University of Texas at Tyler

The University of Texas
Southwestern Medical Center at Dallas

The University of Texas
Medical Branch at Galveston

The University of Texas
Health Science Center at Houston

The University of Texas
Health Science Center at San Antonio

The University of Texas
M. D. Anderson Cancer Center

The University of Texas
Health Science Center at Tyler

www.utsystem.edu



ENDOWMENT

I. ENDOWMENT REPORT FOR PERIOD ENDED AUGUST 31, 2009

Beginning Market Value (September 1, 2008)	\$	38,396.66
Contributions Received		--
Withdrawals		--
Income Reinvested		--
Investment Return:		
Income	\$	234.37
Net Realized Gains (Losses) on Investments		1,430.11
Net Increase (Decrease) in Market Value of Investments		<u>(6,991.11)</u>
Total Investment Return		(5,326.63)
Cash Distributions to Endowment Income Account		<u>(1,664.48)</u>
Ending Market Value (August 31, 2009)	\$	<u>31,405.55</u>

	LONG TERM FUND	OTHER	TOTAL
Total Cash Distributions	\$ 1,664.48	--	\$ 1,664.48
Average Market Value For Period Ended August 31, 2009 (1)			\$ 31,186.21
Annual Yield (Total Cash Distributions as a % of Average Market Value)			5.34%
Current Long Term Fund Annual Payout in Cents Per Unit			30.24¢

II. FIVE YEAR INVESTMENT HISTORY

YEAR ENDED 8/31	NET CONTRIBUTIONS (WITHDRAWALS)	INCOME REINVESTED	DISTRIBUTIONS	INVESTMENT RETURN	TOTAL MARKET VALUE	TOTAL BOOK VALUE	LTF MARKET VALUE	LONG TERM FUND UNITS
2005	--	168.52	(1,461.76)	5,539.09	34,440.54	26,124.58	34,403.93	5,429.00
2006	--	173.94	(1,505.60)	3,722.70	36,831.58	26,298.52	36,793.88	5,455.73
2007	--	155.56	(1,555.53)	5,705.36	41,136.97	26,454.08	41,098.02	5,477.48
2008	--	160.82	(1,608.19)	(1,292.94)	38,396.66	26,614.90	38,356.40	5,498.50
2009	--	--	(1,664.48)	(5,326.63)	31,405.55	26,614.90	31,405.55	5,504.27

(1) Five quarter average.

Component Endowment Account No.:

Component Current Purpose Account No.:

U.T. System Endowment Account No.:

Date Established: 1/28/1999



██████████ ENDOWMENT

III. ENDOWMENT AND LONG TERM FUND INVESTMENT PERFORMANCE FOR THE PERIOD ENDED AUGUST 31, 2009

	<u>ENDOWMENT TOTAL RETURN</u>	<u>LONG TERM FUND TOTAL RETURN (NET OF FEES)</u>
One Year	-13.47%	-13.27%
Three Years (Annualized)	-1.09%	-0.92%
Five Years (Annualized)	4.95%	5.09%
Ten Years (Annualized)	5.30%	5.42%

IV. SCHEDULE OF INVESTMENTS AS OF AUGUST 31, 2009

	<u>PAR/ SHARES</u>	<u>BOOK VALUE (\$)</u>	<u>MARKET VALUE (\$)</u>
COMMINGLED INVESTMENTS:			
LONG TERM FUND UNITS	5,504.27	26,614.90	31,405.55
TOTAL COMMINGLED INVESTMENTS	<u>5,504.27</u>	<u>26,614.90</u>	<u>31,405.55</u>
TOTAL INVESTMENTS	<u><u>5,504.27</u></u>	<u><u>26,614.90</u></u>	<u><u>31,405.55</u></u>

THE UNIVERSITY OF TEXAS AT DALLAS
2007-2008 ANNUAL ENDOWMENT REPORT

ACHIEVEMENT SCHOLARSHIPS

This report covers the use of earnings derived during the 2007-2008 academic year from the Achievement Scholarships endowment. This endowment continues to enable The University of Texas at Dallas (UT Dallas) to recruit and retain the very best students based on academic merit.

Summary of Scholarship Awards

For the academic year 2007-2008, the Achievement Scholarship honored thirty-seven students based on each student's academic merit. The thirty-seven awards were divided equally among freshmen, sophomores, juniors, and seniors. Ten incoming freshmen will be selected in 2008 to receive the Achievement Scholarship and will receive an annual award of \$2,500.00 for four years provided they maintain the required GPA.

As of the academic year 2007-2008, fifteen students maintained a 3.90 GPA or higher, including three students with a 4.0 GPA. The thirty-seven recipients of the Achievement Scholarship are majoring in the following fields:

- Biology 5
- Electrical Engineering 5
- Arts & Technology 3
- Biochemistry 3
- Computer Science 3
- Psychology 3
- Accounting 2
- Physics 2
- Behavioral Science 1
- Business Administration 1
- Economics 1
- Finance 1
- Geography 1
- History 1

THE UNIVERSITY OF TEXAS AT DALLAS
2007-2008 ANNUAL ENDOWMENT REPORT

ACHIEVEMENT SCHOLARSHIPS

- Literature 1
- Mathematics 1
- Molecular Biology 1
- Political Science 1
- Statistics 1

Endowment Financial Summary

To ensure that endowment gifts to The University of Texas at Dallas retain their value over time, The University of Texas System Board of Regents has retained The University of Texas Investment Management Company (UTIMCO), a private 501(c)(3) corporation, to manage the investment of endowment funds.

The endowment financial statement for the fiscal year ending August 31, 2008 is enclosed. Please call [REDACTED], if you have any questions regarding the UTIMCO Report.

UT Dallas is sincerely grateful for the support provided by this endowment.



ACHIEVEMENT SCHOLARSHIPS

I. ENDOWMENT REPORT FOR PERIOD ENDED AUGUST 31, 2008

Beginning Market Value (September 1, 2007)	\$ 2,502,728.55
Contributions Received	2,623.00
Withdrawals	--
Income Reinvested	4,342.51
Investment Return:	
Income	\$ 30,114.47
Net Realized Gains (Losses) on Investments	67,778.26
Net Increase (Decrease) in Market Value of Investments	<u>(176,373.65)</u>
Total Investment Return	(78,480.92)
Cash Distributions to Endowment Income Account	<u>(97,892.73)</u>
Ending Market Value (August 31, 2008)	<u>\$ 2,333,320.41</u>

	<u>LONG TERM FUND</u>	<u>OTHER</u>	<u>TOTAL</u>
Total Cash Distributions	\$ 97,869.52	\$ 23.21	\$ 97,892.73
Average Market Value For Period Ended August 31, 2008 (1)			\$ 2,494,114.11
Annual Yield (Total Cash Distributions as a % of Average Market Value)			3.92%
Current Long Term Fund Annual Payout in Cents Per Unit			29.29¢

II. FIVE YEAR INVESTMENT HISTORY

YEAR ENDED 8/31	NET CONTRIBUTIONS (WITHDRAWALS)	INCOME REINVESTED	DISTRIBUTIONS	NET INVESTMENT RETURN	TOTAL MARKET VALUE	TOTAL BOOK VALUE	LTF MARKET VALUE	LONG TERM FUND UNITS
2004	--	90,188.60	(91,346.70)	212,170.66	1,890,998.56	1,715,097.69	1,584,757.06	283,777.28
2005	--	1,174.16	(93,960.49)	309,029.70	2,107,241.93	1,716,271.85	1,900,772.93	299,945.24
2006	--	27,306.80	(96,482.72)	213,415.98	2,251,481.99	1,743,578.65	2,050,793.99	304,088.01
2007	6,483.93	1,450.83	(100,123.19)	343,434.99	2,502,728.55	1,752,215.22	2,502,728.55	333,559.74
2008	2,623.00	4,342.51	(97,892.73)	(78,480.92)	2,333,320.41	1,759,180.73	2,333,320.41	334,488.21

(1) 5 quarter average.

Component Endowment Account No.: ██████████
 Component Current Purpose Account No.: ██████████
 U.T. System Endowment Account No.: ██████████
 Date Established: 4/12/1990



ACHIEVEMENT SCHOLARSHIPS

III. ENDOWMENT AND LONG TERM FUND INVESTMENT PERFORMANCE FOR THE PERIOD ENDED AUGUST 31, 2008

	<u>ENDOWMENT TOTAL RETURN</u>	<u>LONG TERM FUND TOTAL RETURN (NET OF FEES)</u>
One Year	-3.31%	-3.13%
Three Years (Annualized)	7.05%	7.59%
Five Years (Annualized)	9.98%	11.11%
Ten Years (Annualized)	7.76%	9.07%

IV. SCHEDULE OF INVESTMENTS AS OF AUGUST 31, 2008

	<u>PAR/ SHARES</u>	<u>BOOK VALUE (\$)</u>	<u>MARKET VALUE (\$)</u>
COMMINGLED INVESTMENTS:			
LONG TERM FUND UNITS	334,488.21	1,759,180.73	2,333,320.41
TOTAL COMMINGLED INVESTMENTS	<u>334,488.21</u>	<u>1,759,180.73</u>	<u>2,333,320.41</u>
TOTAL INVESTMENTS	<u><u>334,488.21</u></u>	<u><u>1,759,180.73</u></u>	<u><u>2,333,320.41</u></u>

THE UNIVERSITY OF TEXAS
MD ANDERSON
CANCER CENTER

Office of the President

March 26, 2009

[REDACTED]
[REDACTED]
[REDACTED]

Dear Jim:

The generous support of the [REDACTED] Distinguished University Chair for Cancer Research is helping further the mission of The University of Texas M. D. Anderson Cancer Center. That mission is to eliminate cancer in Texas, the nation, and the world through outstanding patient care, research, and prevention programs, and by educating students, professionals, and the public. We are sending this progress report prepared by [REDACTED], to share with you how your support is moving us forward in accomplishing these goals.

Continual practice of our core values - caring, integrity, and discovery - has made M. D. Anderson Cancer Center the nation's number one institution in cancer care and research. Our exceptional people and resources are only part of the equation. The creation of a permanent endowment has helped lay the foundation on which our record of accomplishments stands. The breakthroughs we have already made, as well as those which lie ahead, are only possible in a vibrant, comprehensive cancer center setting such as the one built by our partnership.

The foresight in creating the endowment and your continuing commitment have placed us in the leading role in preventing and curing cancer. We thank you for embracing M. D. Anderson's mission.

Sincerely,



John Mendelsohn, M.D.
President

JM:mr
Enclosure

CARING • INTEGRITY • DISCOVERY

P.O. BOX 301439 • HOUSTON, TEXAS 77230-1439 • 713-792-2121 • www.mdanderson.org

*A Comprehensive Cancer Center designated by the National Cancer Institute
located in the Texas Medical Center*

Progress Report

**[REDACTED] Distinguished University Chair
for Cancer Research**

Annual Progress Report
September 1, 2007 to August 31, 2008

**[REDACTED]
[REDACTED]
[REDACTED]**

March 2009

THE UNIVERSITY OF TEXAS
MD ANDERSON
CANCER CENTER
Making Cancer History®

Progress Report

Background

Our laboratory has focused on fundamental, translational and clinical research in ovarian and breast cancer. Despite significant improvement in five year survival, the long term cure rate for ovarian cancer patients has not improved over the last decade. We have focused on solving two of the most important problems in the clinical management of ovarian cancer: late detection and the persistence of dormant drug resistant cancer cells. Information obtained in studies of ovarian cancer appears to apply to breast cancer and malignancies that arise at other sites.

Research Results

Early detection of ovarian cancer. Having discovered CA125, the first useful blood test for monitoring the response of advanced ovarian cancer to treatment, we are developing a strategy for early detection of ovarian cancer. During the last year, we have continued to conduct a clinical trial to test a strategy that uses the trend of annual CA125 blood tests to screen postmenopausal women at average risk of developing ovarian cancer. If the CA125 rises, pelvic ultrasound is performed, and if ultrasound demonstrates an enlarged ovary, surgery is undertaken. To date, we have obtained more than 8,000 blood specimens from more than 2,500 apparently healthy women who have participated in the screening study. Less than 2% have been referred for ultrasound examinations, consistent with our goals. Six operations have been performed based on ultrasound results and four ovarian cancers have been detected: two borderline ovarian cancers in stage IA (still confined to one ovary) and two invasive ovarian cancers in stage II (still confined to the pelvis). We have missed one borderline ovarian cancer, but no invasive ovarian cancer with this screen. Our results are consistent with those from a larger trial ongoing in the United Kingdom, where no more than three operations have been required to detect each case of ovarian cancer. When these trials are completed, we may finally have the first validated screening strategy for ovarian cancer.

The serum bank that has been developed for our trial has already proved critical for evaluating new blood tests that would improve the sensitivity of CA125 as an initial step in the screen. Working with [REDACTED], we are evaluating the ability of 18 promising blood tests to distinguish 1,000 healthy individuals from patients with ovarian cancer that is limited to the ovaries. In the past year, we have evaluated three novel blood tests (apolipoprotein A1, transthyretin and CTAP3) for detecting early stage ovarian cancer. At the time of conventional diagnosis, a combination of CA125 with these three markers detected 87% of early stage cancers. These tests did not, however, identify asymptomatic women destined to develop ovarian cancer within six-18 months. Consequently, there is still room for improvement.

A urine test for ovarian cancer would be more convenient and potentially more widely used than a blood test. Consequently, we have searched for proteins in the urine that could distinguish patients with early stage ovarian cancer from healthy individuals. We have found the SMRP protein is elevated in urine from 42% of early stage (I and II) ovarian cancers.

Working with [REDACTED], a second protein, Bcl-2, was found to be elevated in 29% of early stage cancers. Using the two markers together, 56% of early stage cancers could be identified. We have discovered more than a dozen other proteins in urine that may further improve the panel of biomarkers.

Imprinted tumor suppressor genes. We have also continued to explore the role of imprinted tumor suppressor genes in the development of ovarian and breast cancers. Suppressor genes act as “brakes” on cell growth and motion. Normal cells generally have two copies of each suppressor gene and both must be inactivated in cancer cells to lose control of growth and normal behavior. About 80 of the 30,000 genes that can be expressed in human cells are “imprinted” where only a single copy is expressed. Consequently, loss of control of growth and motion can occur with a single genetic hit to the sole functioning gene. Over the last decade, we have explored the role of ARHI, an imprinted tumor suppressor gene whose function is decreased in breast and ovarian cancers. In our previous progress reports, we shared our discovery that re-expression of ARHI can induce autophagy (self-digestion) and tumor dormancy in ovarian cancer cells, providing a model for testing new and potentially more effective treatments. This work was published in December of 2008 in the highly respected [REDACTED]. We have found that chloroquine, a drug used to treat malaria, can kill autophagic dormant cells, providing one strategy to treat patients after conventional chemotherapy. In addition, we have characterized several other imprinted tumor suppressor genes including PEG3, NDN, SNRPN and WT1. Re-expression of PEG3 and NDN have inhibited growth of ovarian cancers.

New approaches to enhance sensitivity of breast and ovarian cancer cells to Paclitaxel (Taxol).

A third area of research regards the potentiation of Taxol chemotherapy using small inhibitory RNAs (siRNAs) that knock down the expression of critical proteins which transmit aberrant signals within ovarian and breast cancers. We have performed a more comprehensive “high throughput” screen, studying the effect of 489 different siRNAs on the sensitivity of ovarian cancer cells to Taxol and on the stability of microtubules that are further stabilized by this drug. Those siRNAs that stabilize microtubules enhanced sensitivity to Taxol, confirming our hypothesis. In addition, knockdown of one enzyme, SIK2, inhibited separation of chromosomes. Fundamental studies, conducted by [REDACTED], a physician-scientist visiting our laboratory from [REDACTED], have shown for the first time that SIK2 can be found in the centrosome where all of the microtubule cables attached to chromosomes come together at a “spindle pole” when cells divide. He has identified exactly where SIK2 functions biochemically during normal cell division and detected overexpression of SIK2 in 20% of ovarian cancers, suggesting that drugs which inhibit this enzyme might help a fraction of ovarian cancer patients.

Recognition during the last year. In March of 2008, I gave the [REDACTED] lecture at the Society of [REDACTED]. During 2008, I was also named honorary vice president of ovarian cancer action and the [REDACTED] memorial trust in the United Kingdom and received the [REDACTED] award for research from the [REDACTED] National Alliance in the United States.

Planned Additional Research

During the next year, we will continue to conduct a screening trial in patients at average risk for developing ovarian cancer using CA125 and pelvic ultrasound. We will finalize our choice of biomarkers and will perform these four-five tests on five annual blood samples from 200 healthy women in our screening trial, as well as 150 serum samples from women with stage I ovarian cancer to develop a new, more sensitive algorithm for the next screening trial.

A panel of urine markers will be identified. We will collaborate with [REDACTED] University to place the four-five assays on a nano-biochip that can assay blood from a fingerprick within five-30 minutes. We will submit a competing renewal of the National Cancer Institute (NCI) [REDACTED] that partially funds this work.

New studies will be conducted to validate our model for tumor dormancy and to identify drugs and antibodies that kill dormant cancer cells. We will study fundamental mechanisms by which autophagy preserves or destroys cancer cells. If necessary, we will resubmit our R01 grant which partially supports this work.

Multiple papers will be published reporting results with siRNA screens, dasatinib and SIK2. Strategies to enhance sensitivity to Taxol with siRNAs will be extended to mouse xenograft models with human cancers.

During the last year, we have expended [REDACTED] from the professorship to support a portion of my own salary, the ovarian screening trial, laboratory supplies for studies of ARHI and the lunch time seminars for our laboratory. During this next two years, funds from the professorship will become all the more important. From September of 2008 through August of 2009, we estimate that at least [REDACTED] will be utilized from the professorship to support our research activities. We have applied for an R01 grant and received a priority score at the 17th percentile, but with constraints in funding at NCI, only 15% of grants are currently being funded. With enhanced funding for NCI, the "pay line" may be raised to include our grant, but this is not certain and we may need to submit a revision in June of 2009. Without the professorship our work could not continue, despite the great promise of these studies.

Summary

Our group has continued to develop a strategy to detect early stage ovarian cancer that uses multiple blood tests to identify women who need pelvic ultrasound to detect disease that is still limited to the ovaries and that can be cured in up to 90% of patients with currently available surgery and chemotherapy. More fundamental studies are directed at understanding the role of imprinted tumor suppressor genes in ovarian and breast cancers and their potential use as targets and markers for treatment with drugs that affect gene expression. We have developed a model to study the survival of dormant ovarian cancer cells, which are a major source of treatment failure for women with ovarian cancer. A third area involves the use small inhibitory RNAs that knock down kinases to enhance the cytotoxicity of chemotherapeutic agents for ovarian and breast cancer cells. The professorship is crucial for continued progress in these studies, despite a hostile funding environment.



DISTINGUISHED UNIVERSITY CHAIR FOR CANCER RESEARCH

I. ENDOWMENT REPORT FOR PERIOD ENDED AUGUST 31, 2008

Beginning Market Value (September 1, 2007)	\$ 4,473,923.01
Contributions Received	--
Withdrawals	--
Income Reinvested	--
Investment Return:	
Income	\$ 53,726.93
Net Realized Gains (Losses) on Investments	120,922.75
Net Increase (Decrease) in Market Value of Investments	<u>(314,415.13)</u>
Total Investment Return	(139,765.45)
Cash Distributions to Endowment Income Account	<u>(174,649.68)</u>
Ending Market Value (August 31, 2008)	<u>\$ 4,159,507.88</u>

	<u>LONG TERM FUND</u>	<u>OTHER</u>	<u>TOTAL</u>
Total Cash Distributions	\$ 174,649.68	--	\$ 174,649.68
Average Market Value For Period Ended August 31, 2008 (1)			\$ 4,451,478.38
Annual Yield (Total Cash Distributions as a % of Average Market Value)			3.92%
Current Long Term Fund Annual Payout in Cents Per Unit			29.29¢

II. FIVE YEAR INVESTMENT HISTORY

YEAR ENDED 8/31	NET CONTRIBUTIONS (WITHDRAWALS)	INCOME REINVESTED	DISTRIBUTIONS	INVESTMENT RETURN	TOTAL MARKET VALUE	TOTAL BOOK VALUE	LTF MARKET VALUE	LONG TERM FUND UNITS
2004	1,143,268.27	--	(119,182.12)	298,213.58	3,329,917.38	2,000,000.00	3,329,917.38	596,277.45
2005	--	--	(160,816.04)	609,548.51	3,778,649.85	2,000,000.00	3,778,649.85	596,277.45
2006	--	--	(164,811.08)	407,504.29	4,021,343.06	2,000,000.00	4,021,343.06	596,277.45
2007	--	--	(169,581.32)	622,161.27	4,473,923.01	2,000,000.00	4,473,923.01	596,277.45
2008	--	--	(174,649.68)	(139,765.45)	4,159,507.88	2,000,000.00	4,159,507.88	596,277.45

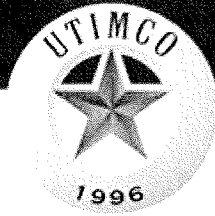
(1) 5 quarter average.

Component Endowment Account No.: [REDACTED]

Component Current Purpose Account No.: [REDACTED]

U.T. System Endowment Account No.: [REDACTED]

Date Established: 12/12/1964



DISTINGUISHED UNIVERSITY CHAIR FOR CANCER RESEARCH

III. ENDOWMENT AND LONG TERM FUND INVESTMENT PERFORMANCE FOR THE PERIOD ENDED AUGUST 31, 2008

	<u>ENDOWMENT TOTAL RETURN</u>	<u>LONG TERM FUND TOTAL RETURN (NET OF FEES)</u>
One Year	-3.32%	-3.13%
Three Years (Annualized)	7.46%	7.59%
Five Years (Annualized)	11.13%	11.11%
Ten Years (Annualized)	9.04%	9.07%

IV. SCHEDULE OF INVESTMENTS AS OF AUGUST 31, 2008

	<u>PAR/ SHARES</u>	<u>BOOK VALUE (\$)</u>	<u>MARKET VALUE (\$)</u>
COMMINGLED INVESTMENTS:			
LONG TERM FUND UNITS	596,277.45	2,000,000.00	4,159,507.88
TOTAL COMMINGLED INVESTMENTS	<u>596,277.45</u>	<u>2,000,000.00</u>	<u>4,159,507.88</u>
TOTAL INVESTMENTS	<u>596,277.45</u>	<u>2,000,000.00</u>	<u>4,159,507.88</u>

APPENDIX 3

Sample of Endowment Agreement

and

Endowment Compliance Plan
System-wide Standards and Guidelines

ENDOWMENT AGREEMENT

I/We, _____, (“Donor(s)”) hereby give \$ _____ to the Board of Regents of The University of Texas System (“Board of Regents”) to establish an endowment for the use and benefit of The University of Texas _____ (“University”).

I. Purpose

The (*name of endowed fund*) shall be a permanent endowment and shall be used for the benefit of the (department/school/college/unit). Funds distributed from the endowment shall be used to (statement of use).

II. Administration

Such endowment shall never become a part of the Permanent University Fund, the Available University Fund or the General Fund of the State of Texas, and shall never be subject to appropriation by the Legislature of the State of Texas. These funds and all future additions to the endowment, including those made by the Board of Regents or University administration, shall be subject to the provisions of this agreement and shall be classified as permanent endowment funds. If in the opinion of the Board of Regents, future circumstances change so that the purposes for which the endowment is established become illegal, impracticable, or no longer able to be carried out to meet the needs of the University, said Board of Regents may designate an alternative use for the endowment payout in accordance with applicable state law to further the objective of the University in the spirit of the original purpose.

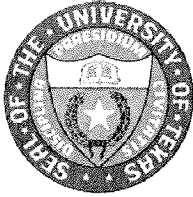
III. Investment, Payout and Reinvestment

These endowment funds may be merged or commingled with other funds held by the Board of Regents for investment purposes in accordance with the policies of the Board of Regents. Donor(s) acknowledge(s) and agree(s) that in connection with administration and management of the endowment funds, the Board of Regents may charge certain expenses against the endowment funds for administration, management and similar charges. Funds distributed from the endowment in a year may be retained and expended for the purposes of the endowment in subsequent years, or may be reinvested, at the discretion of the Board of Regents or University administration, as a permanent addition to the principal of the endowment.

Donor(s) Signature

Date

Endowments are officially established upon approval of the Board of Regents. As with any decision involving your assets, we urge you to seek the advice of your professional counsel when considering a gift to the University.



UT System Administration Policy Library -- Policy UTS117
**Endowment Compliance Plan System-Wide
Standards and Guidelines**

Responsible Officer: Director of Development and Gift Planning Services

Sponsoring Office: Office of External Relations

Effective Date: December 14, 2001

Last Reviewed: January 5, 2010

Next Scheduled Review: June 1, 2011

Errors or changes to: policyoffice@utsystem.edu

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Appendix

POLICY STATEMENT

Each UT System institution and UT System Administration is charged with raising private sector donations for the purpose of establishing endowments to support its mission and goals. This policy outlines the fundamental objectives and procedures that each institution and UT System Administration should follow to develop and maintain an institutional endowment compliance plan that ensures the highest level of fiduciary responsibility and accountability by the institution or UT System Administration to the endowment donor.

RATIONALE

The endowment compliance process begins with strict adherence to the official *UT System Gift Acceptance Procedures* at the time an endowment is established. As authorized by Board of Regents' *Rules and Regulations*, Rule 60101, these procedures outline the administrative processes associated with the review and acceptance of endowments held and administered by the Board of Regents of The University of Texas System.

It is recognized that the 15 institutions that comprise The University of Texas System differ substantially in organizational structure and the number and the nature of endowments. The following general guidelines associated with the endowment compliance process are outlined in order that they can be adapted for use by the 15 different institutions and UT System Administration.

SCOPE

All institutions and UT System Administration

WEBSITE ADDRESS FOR THIS POLICY

RELATED STATUTES, POLICIES, REQUIREMENTS OR STANDARDS

UT System Administration Policies & Standards	Other Statutes, Policies & Standards
<ul style="list-style-type: none">• <u>UTS138, UT System Gift Acceptance Procedures</u>• Board of Regents' <i>Rules and Regulations</i>, Rule <u>60101</u>• Board of Regents' <i>Rules and Regulations</i>, Rule <u>60102</u>• Board of Regents' <i>Rules and Regulations</i>, Rule <u>60201</u>• Board of Regents' <i>Rules and Regulations</i>, Rule <u>60202</u>	

CONTACTS

If you have any questions about UT System Administration policy UTS 117, Endowment Compliance Plan, contact the following office(s):

Subject	Office Name	Telephone Number	Email/URL
	Office of External Relations	512-499-4777	rsafady@utsystem.edu
	Office of Development and Gift Planning Services	512-499-4300	jlynch@utsystem.edu

DEFINITIONS

Designated Endowment Executive

Administrator designated by the President of the UT System institution or the Chancellor or his/her designee for UT System Administration as responsible for ensuring that the institution's endowments are in compliance.

RESPONSIBILITIES

Development or Business Office of each UT System Institution and UT System Administration

- Initiates and submits all endowments to UT System Administration for approval.

UT System Office of Development and Gift Planning Services

- Reviews and administratively approves all endowments conforming to policy, via authority delegated by the Board of Regents to the Vice Chancellor for External Relations.

Each UT System Institution and UT System Administration

- Ensures that each endowment is used for the purpose(s) intended by the donor(s) and in accordance with the terms of the official document(s) associated with the approval and establishment of the endowment.
- Ensures that all endowment accounts are reviewed for compliance on a regular basis by appropriate personnel.
- Forms an Endowment Compliance Committee comprised of key personnel from designated areas of the institution or UT System Administration that are associated with and/or responsible for endowments.
- Conducts an annual endowment risk assessment under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.
- Designs and establishes an institutional monitoring plan under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.
- Develops and implements a training program as a requirement for personnel associated with and/or responsible for endowments and/or endowment compliance under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee.

President of Each UT System Institution and Vice Chancellor for External Relations of UT System

- Appoints a Designated Endowment Executive

- Reviews and approves the accumulation of large balances in endowment income accounts based on sound academic/research plans.
- Forwards an Annual Report on Endowment Compliance to the Chancellor of the UT System or to his/her designated representative.

Designated Representatives of the UT System Institutions and UT System Administration

- Provide annual reports to the known donor(s) of each endowment.

Endowment Compliance Committee

- Oversees the endowment compliance effort, from a broad institutional perspective, under the leadership of the Designated Endowment Executive.

Designated Endowment Executive

- Forwards reports, recommendations and comments of the Endowment Compliance Committee to the President of the institution or the Vice Chancellor for External Relations, for UT System Administration endowments, for his/her review and approval.

PROCEDURES

Implementation/Enforcement Step

1. Fundamental Elements of an Institutional Compliance Plan – Content

1.1 Adherence to UT System Gift Acceptance Procedures Associated With the Establishment of Endowments.

All proposed new endowments or amendments to existing endowments are initiated by the Development or Business Office of each UT System institution and UT System Administration and submitted to UT System Administration for review and approval by the Office of Development and Gift Planning Services of the UT System via authority delegated by the Board of Regents. No endowment will be established or announced without prior approval of the Board of Regents or its designee(s).

1.2 Adherence to the Terms of the Official Endowment Agreement or Other Governing Documents.

The UT System institution and UT System Administration should ensure that each endowment is used for the purposes(s) intended by the donor(s) and in accordance with the terms of the official document(s) associated with the establishment and approval of the endowment by the Board of Regents or its designee(s).

1.3 Review of Endowment Accounts.

The UT System institution and UT System Administration should ensure that all endowment accounts are reviewed for compliance on a regular basis by appropriate personnel and that funds are utilized in accordance with the terms of the endowment agreement or other governing documents. The accumulation of large balances in endowment income accounts should be based on sound academic/research plans that are reviewed and approved by the President of the institution or the Chancellor of the UT System, or his/her designated representative.

1.4 Provision of High Quality, Annual Reports to Endowment Donor(s).

The UT System institution and UT System Administration should provide annual reports to the donor(s) of each endowment. The report should summarize the major activities associated with the endowment, include a financial statement for the endowment for the report period and, when appropriate, provide information on the holder(s) or the recipient(s) of the endowment. Note: It is understood that some endowments have no known person or entity to which endowment reports may be directed. Therefore, each UT System institution and UT System Administration should develop a list of “no report” endowments as a part of its annual report to the UT System.

2. Process

2.1 Designate a High Level Responsible Party. The President of each UT System institution and the Vice Chancellor for External Relations of the UT System should appoint a Designated Endowment Executive. [Note: Based on endowment compliance practices to date, it is anticipated that the Designated Endowment Executive will usually be the Chief Development Officer of the institution. The Designated Endowment Executive is free to designate another staff member to assume the day-to-day responsibility for endowment compliance.]

2.2 Establish an Endowment Compliance Committee.

Each UT System institution and UT System Administration shall form an Endowment Compliance Committee comprised of key administrators from designated areas of the institution or UT System Administration who are associated with endowments. The committee could be comprised of representatives of the Development Office, the Business Office, the Office of the Chief Academic Officer, the Office of the Chief Research Officer, selected representatives from departments and/or units of the institution that hold endowments and if possible, the Institutional Compliance Officer, or his/her designee from the institution’s Office of Compliance. Under the leadership of the Designated Endowment Executive, the Endowment Compliance Committee shall meet regularly and be responsible for considering the endowment compliance effort from a broad institutional perspective and for reviewing the institution’s or UT System Administration’s endowment compliance plan. At appropriate intervals, the Designated Endowment Executive should forward recommendations and comments of the Endowment Compliance Committee to the President of the institution or the Vice Chancellor for External Relations of the UT System for his/her review and approval.

2.3 Conduct an Annual Endowment Risk Assessment.

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, each UT System institution and UT System Administration should conduct an annual endowment risk assessment to assess issues that could impact its ability to meet its mission and objectives. These might involve financial, operational, compliance and/or reputational risks. The risk assessment should take into account the laws, regulations, policies, and procedures to which endowments are subject, as well as other factors pertaining to the structure and organization of the institution and the nature of its endowments. Particular endowments may be intentionally selected to assess the impact and probability of occurrence of a specific risk. For example, *financial* risk might be assessed through a special review of endowments funded over a specified dollar amount

2.4 Develop and Conduct Endowment Compliance Training Programs.

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, a high-quality training program should be developed and implemented as a requirement for personnel associated with endowments and/or endowment compliance across the UT System institution or UT System Administration.

2.5 Establish a Monitoring Program for Endowments.

Under the leadership of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, each UT System institution and UT System Administration should design and establish a monitoring plan based on its risk assessment. The plan should include a description of activities that will be performed in order to identify and reduce non-compliance for endowments. The plan might include employee training and awareness programs, certification of compliance by endowment holders, periodic testing of select endowment expenditures, and periodic review of policies and procedures.

2.6 Establish An Endowment Reporting Plan.

The reporting plan should specify the elements of periodic reports that should be made to both internal and external individuals or entities. For example, period reports should be made to the President or Chancellor, and may be made to other key administrators, such as the Provost or Chief Academic or Research Officers, Deans of colleges and schools, Directors of administrative units, etc. In addition, reports should be prepared for all known donors. The reporting plan should be designed to provide assurance that the institution's review and monitoring plans are functioning as intended.

2.7 Certify Endowment Compliance via an Annual Report to the UT System.

Based on the work of the Designated Endowment Executive and in consultation with the Endowment Compliance Committee, the President of each UT System institution and the Vice Chancellor for External Relations of the UT System shall forward an Annual Report on Endowment Compliance to the Chancellor of the UT System and/or to his/her designated representative. The report will be due annually on December 1, or on another date agreed on from time to time. The report shall summarize the endowment compliance activities of the UT System institution of UT System Administration and

certify that the institution is in compliance with the endowment compliance standards established by the UT System. *Special Note:* For those UT System institutions or UT System Administration receiving an endowment compliance fee assessment via UTIMCO, the report shall certify that the funds received from the fee assessment have been expended on activities and personnel that are directly associated with the endowment compliance effort.

FORMS AND TOOLS/ONLINE PROCESSES

None

APPENDIX

None

Keywords: endowment, compliance, gifts, gift, endowments, donor, donors, compliance
