

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIIIb

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

April 14, 2000
May 10-11, 2000
August 9-10, 2000

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

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

Blue paper - Executive Session

Yellow paper – for documentation of items submitted after the deadline date for inclusion in the Agenda (late items) and distributed to members of the Board of Regents prior to the meeting.

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



Material Supporting the Agenda

of the

Board of Regents

The University of Texas System

Meeting No. 930

May 10-11, 2000

Austin, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Date: **Wednesday, May 10, 2000**

Time: **2:00 p.m.**

Place: Board Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

Purpose: Convene in Open Session for Annual Meeting with U. T. System Student Advisory Council

See Page 2, Items A - B

Time: **3:30 p.m. or upon conclusion of Open Session**

Place: Conference Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

Purpose: Recess to Executive Session, Reconvene in Open Session, and Recess

See Page 2, Items C - E

Date: **Thursday, May 11, 2000**

Time: **8:00 a.m.**

Place: Conference Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

Purpose: Reconvene in Open Session to Immediately Recess to Executive Session and Reconvene in Open Session

See Page 3, Items F - I

Time: **9:00 a.m. or upon conclusion of Executive Session**

Place: Board Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

Purpose: Open Session to Continue Until Completion of Business

See Pages 4 - 168, Items J - T

Telephone Numbers

Office of the Board of Regents

(512) 499-4402

Four Seasons Hotel, 98 San Jacinto

(512) 478-4500

Executive Session of the Board

**BOARD OF REGENTS
EXECUTIVE SESSION**
Pursuant to Texas Government Code
Chapter 551, Sections 551.071, 551.072 and 551.074

Date: May 10, 2000

Time: 3:30 p.m. or upon conclusion of Open Session

Place: Conference Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071
 - a. U. T. Medical Branch - Galveston: Proposed Settlement of Medical Liability Litigation
 - b. U. T. Health Science Center - San Antonio: Proposed Settlement of Medical Liability Litigation
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

Date: May 11, 2000

Time: 8:00 a.m.

Place: Conference Room, 9th Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas

Deliberations Regarding the Purchase, Exchange, Lease or Value of Real Property - Section 551.072

U. T. Permian Basin: Request for Approval to Lease Campus Land to The Presidential Museum, Approval to Take Necessary Actions, and Authorization to Execute All Documents Related Thereto

Meeting of the Board

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

Date: **Wednesday, May 10, 2000**

Time: 2:00 p.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall, 201 W. 7th Street, Austin

- A. CALL TO ORDER

- B. CONVENE IN OPEN SESSION FOR ANNUAL MEETING WITH REPRESENTATIVES OF THE U. T. SYSTEM STUDENT ADVISORY COUNCIL

- C. RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE, CHAPTER 551) PER THE AGENDA ON PAGE 1
 - 1. Consultation with Attorney Regarding Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071
 - a. U. T. Medical Branch - Galveston: Proposed Settlement of Medical Liability Litigation
 - b. U. T. Health Science Center - San Antonio: Proposed Settlement of Medical Liability Litigation
 - 2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

- D. RECONVENE IN OPEN SESSION

- E. CONSIDERATION OF ACTION ON EXECUTIVE SESSION MATTERS (ITEM C) AND RECESS

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

Date: **Thursday, May 11, 2000**

Time: 8:00 a.m.

Place: Conference Room (Executive Session and Reconvene in Open Session)
9th Floor, Ashbel Smith Hall, 201 W. 7th Street, Austin

F. RECONVENE IN OPEN SESSION

G. RECESS TO EXECUTIVE SESSION (TEXAS GOVERNMENT CODE,
CHAPTER 551) PER THE AGENDA ON PAGE 1

Deliberations Regarding the Purchase, Exchange, Lease or Value
of Real Property - Section 551.072

U. T. Permian Basin: Request for Approval to Lease
Campus Land to The Presidential Museum, Approval to
Take Necessary Actions, and Authorization to Execute
All Documents Related Thereto

H. RECONVENE IN OPEN SESSION

I. CONSIDERATION OF ACTION ON EXECUTIVE SESSION MATTER
(ITEM G) AND MOVE TO BOARD ROOM

Date: Thursday, May 11, 2000 (continued)

Time: 9:00 a.m. or upon conclusion of Executive Session

Place: Board Room, 9th Floor, Ashbel Smith Hall, 201 W. 7th Street, Austin

J. APPROVAL OF MINUTES OF REGULAR MEETING HELD
FEBRUARY 9-10, 2000, AND SPECIAL MEETING HELD
APRIL 14, 2000

K. SPECIAL ITEMS

1. U. T. Board of Regents: Proposed Amendment to the Regents' Rules
and Regulations, Part One, Chapter II, Section 14, Subsection 14.1,
Subdivision 14.11 (Advisory Committee for Selection of a President)

RECOMMENDATION

Chairman Evans, with the concurrence of the Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel, recommends that the Regents' Rules and Regulations, Part One, Chapter II, Section 14, Subsection 14.1, Subdivision 14.11, regarding an advisory committee for selection of a president, be amended as set forth below in congressional style:

Sec. 14. Presidents of Component Institutions.

14.1 The Board selects the president of each component institution.

14.11 When there is a vacancy or it is known that there is to be a vacancy in the office of a president of a component institution having faculty and students and the Board does not have candidate(s) from recent searches at other component institutions, from within the U. T. System, and/or of national prominence from outside the U. T. System to

advance for consideration, an Advisory Committee shall be established to recommend candidates to the Board. The Executive Vice Chancellor for Health Affairs or the Executive Vice Chancellor for Academic Affairs shall be chairman of the Advisory Committee. In circumstances where this Executive Vice Chancellor may be a candidate for the office, the chairman of the Advisory Committee shall be the Chancellor or the Chancellor's designee. In addition to the chairman, committee membership is as follows:

Not more than two representatives of the component's external constituency who have demonstrated a deep interest in and support of the institution, its programs and its role in community activities to be appointed by the Chairman of the Board of Regents. Where a component institution has a statewide mission; special area programmatic relationships or partnerships with junior or community colleges, private universities or public schools, business/corporate entities, community or public service agencies; or other unique constituencies, the Chairman of the Board of Regents may appoint [an] additional representatives.

Campus constituent groups with responsibility for selection of Advisory Committee representatives are expected to consider diversity, particularly as it relates to minority and female representation. Unless there are unusual delays in faculty, staff or student representative selection which postpone initiation of the committee process, the Chairman of the Board will make his or her appointments to the Advisory Committee after campus selections in order to maximize the prospect that the total committee composition reflects diversity.

BACKGROUND INFORMATION

The proposed amendment to the Regents' Rules and Regulations would allow the Chairman of the U. T. Board of Regents limited authority to appoint additional members to a presidential advisory committee to represent an institution's external constituency. The current language allows the Chairman to appoint one additional representative in situations where the institution has a unique mission or external constituency.

See the Item for the Record on Page 165 relating to the Advisory Committee for the Selection of a President at U. T. Health Science Center - San Antonio.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 7 (Committee Structure), Subsection 7.1, Subdivisions 7.15 through 7.18, Section 8 (Procedure), Subsection 8.5, Subdivision 8.52 and Subsection 8.6, and Part Two, Chapter II, Section 6 (Legislative Budget Requests)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations be amended as set forth below in congressional style:

- a. Amend Part One, Chapter I, Section 7 (Committee Structure), Subsection 7.1, Subdivisions 7.15 through 7.18 as follows:

Sec. 7. Committees and Other Appointments [Committee Structure].

...

- 7.15 Duties of the Business Affairs and Audit Committee.--The Business Affairs and Audit Committee shall:
 - 7.151 Recommend [~~Counsel with the Chancellor and recommend~~] appropriate Board action with respect to

- any recommendations by the Chancellor related to the appointment, promotion, and dismissal of such System Administration business affairs officers ~~[Officers]~~ as report directly or indirectly to the Chancellor.
- 7.152 Recommend to the Board ~~[all]~~ compensation for the System Administration and the rates of professional compensation.
- 7.153 Make recommendations ~~[Consider and recommend]~~ to the Board on matters related to ~~[all]~~ employee personnel programs, fringe benefits, retirement programs, and labor relations in the System Administration and the component institutions.
- 7.154 Obtain, review, and report to the Board on ~~[all]~~ State Auditor's Reports and Management Letters and System and institutional internal audit reports.
- 7.155 Approve the System-wide internal audit plan.
- 7.156 Transmit to the Chancellor, subject to the prior approval of the Board, such instructions as it deems necessary for the implementation of appropriate internal auditing practices.
- 7.157 Initiate System and institutional audits as deemed necessary to ensure management control within The University of Texas System. (In this regard, the System Director of Audits reports to the Chairman of the Business Affairs and Audit Committee.)
- 7.158 Make ~~[Consider and make]~~ recommendations to the Board on ~~[all]~~ matters relating to the fiscal management of The University of Texas System Administration and each component institution of the System.
- 7.159 Consider ~~[Following consultation with the Academic Affairs Committee and the Health Affairs Committee, consider]~~ and recommend to the Board the operating budgets of The University of Texas System Administration and each component institution of the System.
- 7.15(10) ~~[Following consultation with the Academic Affairs Committee and the Health Affairs Committee, consider and recommend to the Board biennial submissions of appropriation requests to the Legislative Budget Board and to the Governor as~~

~~prepared by the System Administration and component institutions in accordance with Section 6 of Chapter II of Part Two of these Rules and Regulations.~~

- ~~7.15(14)]~~ Propose to the Board [all] appropriations of funds and [all] modifications of or additions to such appropriations.
- ~~7.15(11)](12)~~ ~~Following consultation with the Academic Affairs Committee and the Health Affairs Committee, recommend]~~ Make recommendations to the Board on matters that [which] commit the U. T. System or any component [thereof] to operating expenditures in future fiscal years.
- ~~7.15(12)](13)~~ Consider and make recommendations to the Board concerning the availability of funds for, and application of funds to, capital improvement requests.
- ~~7.15(13)](14)~~ ~~Consider and make]~~ Make recommendations on [all] matters relating to management of the lands constituting the permanent endowment of the University, including oversight of the offices of University Lands - Surface and Mineral Interests.
- ~~[7.15 (15)~~ ~~Counsel with the Chancellor and recommend Board action with respect to any recommendations related to the appointment, promotion, and dismissal of such System officers as are responsible for managing the lands of the System or any component thereof.]~~
- 7.16 Duties of the Academic Affairs Committee.--The Academic Affairs Committee shall:
- 7.161 Report to the Board on the instructional, research, and professional service programs and activities of the general academic components [~~Consider and report to the Board on matters concerned with substantive aspects of policies and programs related to the academic philosophy and objectives of the general academic institutions; with University relations; and with general academic planning, instruction, and research].~~
- 7.162 Report [~~Recommend]~~ to the Board on policies relating to soliciting and securing gifts for the University's general academic institutions.

- 7.163 Consider and report to the Board on [all] matters affecting the libraries of the general academic institutions.
- 7.164 Review proposed substantive changes in the degree program inventory and the academic administrative structure; and recommend to the Board approval or disapproval of such changes [~~Recommend to the Business Affairs and Audit Committee matters which commit the general academic institutions to operating expenditures in future years~~].
- 7.165 [~~Consider and recommend to the Business Affairs and Audit Committee the annual operating budgets of the general academic institutions, including rates of compensation.~~
- 7.166 Consider and recommend to the Business Affairs and Audit Committee biennial submissions of appropriation requests to the Legislative Budget Board and to the Governor as prepared by the System Administration and component institutions in accordance with Section 6 of Chapter II of Part Two of these Rules and Regulations.
- 7.167] Report [~~Counsel with the Executive Vice Chancellor for Academic Affairs and the Chancellor~~] and recommend to the Board approval of matters related to education [~~student affairs, fees and housing~~] in the general academic institutions.
- 7.166[8] Recommend [~~Counsel with the Executive Vice Chancellor for Academic Affairs and the Chancellor and recommend to the~~] appropriate Board action with respect to any recommendations by the Chancellor related to [~~approval of~~] the appointment, promotion, and dismissal of such institutional officers as may be appropriate in the general academic institutions.
- 7.167[9] Consider and report to the Board on matters relating to the research, training, and community service activities at the general academic institutions.
- [7.16(10) Consider and recommend to the Board the acceptance and execution of grants and contracts for research, training, and community service at the general academic institutions.]

- 7.168~~(41)~~ Recommend ~~[Counsel with the Chancellor and recommend]~~ appropriate Board action with respect to any recommendations by the ~~[Executive Vice] Chancellor [for Academic Affairs]~~ related to the appointment, promotion, and dismissal of such System Administration academic affairs officers ~~[Officers]~~ as report directly or indirectly to the ~~[Executive Vice] Chancellor [for Academic Affairs]~~.
- 7.169~~(42)~~ Consider and make ~~Make~~ recommendations ~~[to the Business Affairs and Audit Committee]~~ concerning capital improvement priorities ~~[requests as]~~ related to the approved missions of the general academic institutions.
- 7.17 Duties of the Health Affairs Committee.--The Health Affairs Committee shall:
- 7.171 Consider and report to the Board on matters concerned with substantive aspects of policies and programs related to the academic philosophy and objectives of the health-related institutions; with University relations; and with health-related academic planning, instruction[s], and research.
- 7.172 ~~[Recommend to the Business Affairs and Audit Committee matters which commit the health-related institutions to operating expenditures in future years.~~
- 7.173 ~~Consider and recommend to the Business Affairs and Audit Committee the annual operating budgets of the health-related institutions, including rates of compensation.~~
- 7.174 ~~Consider and recommend to the Business Affairs and Audit Committee biennial submissions of appropriation requests to the Legislative Budget Board and to the Governor as prepared by the System Administration and component institutions in accordance with Section 6 of Chapter II of Part Two of these Rules and Regulations.~~
- 7.175] Report ~~[Counsel with the Executive Vice Chancellor for Health Affairs and the Chancellor]~~ and recommend to the Board approval of matters relating to education ~~[student affairs, fees and housing]~~ in the health-related institutions.

- 7.173[6] ~~Recommend [Counsel with the Executive Vice Chancellor for Health Affairs and the Chancellor and recommend to the]~~ appropriate Board action with respect to any recommendations by the Chancellor related to [approval of] the appointment, promotion, and dismissal of such institutional officers as may be appropriate in the health-related institutions.
- 7.174[7] Consider and report to the Board on matters relating to the research, training, and community service activities of the health-related institutions.
- 7.175[8] Consider and report to the Board on [all] matters affecting the libraries of the health-related institutions.
- ~~7.179~~ Consider and recommend to the Board the acceptance and execution of grants and contracts for research, training, and community service at the health-related institutions.]
- 7.176[(40)] Report [Recommend] to the Board on policies relating to soliciting and securing gifts for the University's health-related institutions.
- 7.177[(44)] With respect to each Hospital, clinic and patient-care facility owned by The University of Texas System:
- 7.177[(44)]1 Counsel with the Executive Vice Chancellor for Health Affairs regarding [Review and make recommendations to the Board concerning] the bylaws, and rules and regulations of the medical staff;
- 7.177[(44)]2 Review and make recommendations to the Board concerning mechanisms and controls for the achievement and maintenance of high standards of professional practices in and at the Hospital, clinic or patient-care facility.
- 7.178[(42)] Recommend appropriate [Counsel with the Chancellor and recommend] Board action with respect to any recommendations by the [Executive Vice] Chancellor [for Health Affairs] related to the appointment, promotion, and dismissal of such System Administration health affairs officers [Officers] as report directly or indirectly to the [Executive Vice] Chancellor [for Health Affairs].

7.179~~(13)~~ ~~Consider and make]~~ Make recommendations ~~[to the Business Affairs and Audit Committee]~~ concerning capital improvement priorities ~~[requests as]~~ related to the approved missions of the health-related institutions.

7.18 Duties of the Facilities Planning and Construction Committee.--
The Facilities Planning and Construction Committee shall:

7.181 Consider matters relating to the acquisition and use of the grounds and buildings on ~~[of all]~~ campus and campus-related real property of The University of Texas System.

7.182 Review proposed construction projects and make decisions on ~~[Recommend to the Board]~~ the selection of ~~[award of contracts to consulting and other]~~ architects for projects determined to be of special interest to the Board; approve plans and accept bids for construction projects.

7.183 Make recommendations ~~[Recommend]~~ to the Board on the award and execution of construction and equipment contracts ~~[and approve progress reviews and beneficial occupancy of construction projects].~~

7.184 ~~[Consider capital improvement requests and, with the prior approval of the Academic or Health Affairs Committee, make recommendations to the Board.~~

~~7.185]~~ Make recommendations to the Board with respect to the naming of University buildings~~[- streets, roads,]~~ and other major facilities ~~[including redesignation of existing facilities].~~

b. Amend Part One, Chapter I, Section 8, Subsection 8.5, Subdivision 8.52, relating to the procedure for addressing the Board of Regents, as follows:

8.52 Except upon invitation of the Board, the Chairman of the Board, the Chancellor, or the appropriate Executive Vice Chancellor, no person shall appear before the Board or any committee thereof unless that person files with the Executive Secretary to the Board a written request explaining the purpose of such appearance at least three ~~[six]~~ days before the date of such appearance and unless the Chairman of the Board, the appropriate Committee Chairman, or at least three members ~~[a majority]~~ of the ~~[whole]~~ Board, shall approve the request. It is understood, however, that the president of a component institution ~~[chief administrative officer]~~ or his or her

delegate and/or the president or chair of the student or faculty governance organization(s) or his or her delegate may appear without prior notice or request before the Board or any committee whenever the matter under consideration directly affects the component institution represented by such person. Persons requesting to appear must identify the subject of their remarks, which must be directly related to a matter on the Agenda for consideration by the Board. Whenever time and other circumstances permit, the person making the request shall first consult with the president [~~chief administrative officer~~], or his or her delegate, of such institution regarding the purpose of the appearance prior to the meeting of the Board or committee. Insofar as possible, any person who appears before the Board shall provide a written statement of the substance of such person's presentation to the Board, and such written statement shall be delivered to the Executive Secretary to the Board in sufficient time for copies to be distributed to the Regents prior to the meeting. Any person appearing before the Board or a committee shall be subject to restrictions on time, place and manner as may be prescribed by the Chairman or a majority of the Board or by the Chairman or a majority of a committee. The Chairman or a majority of the Board may prescribe sanctions against any person exceeding established time, place or manner limits; disrupting a meeting of the Board or a committee of the Board; or violating any provision of the Regents' Rules and Regulations. Sanctions may include the refusal to allow such person to speak again to the Board or committees of the Board for up to one year.

c. Amend Part One, Chapter I, Section 8, Subsection 8.6 as follows:

8.6 Report to Press on Actions of Board.—Reports on matters of public interest will be given to the press as promptly as possible during or after each meeting. These press reports shall be under the direction of the Chairman of the Board, the Chancellor or their designated representatives.

d. Amend Part Two, Chapter II, Section 6 (Legislative Budget Requests) as follows:

Sec. 6. Legislative Appropriation [Budget] Requests.

6.1 Legislative appropriation [budget] requests, biennial or otherwise, [~~as may be required~~] shall be prepared in conformity with the Detailed Instructions for Agencies of Higher Education as prescribed by the Legislative Budget Board and the

Governor's Office of Budget and Planning [submitted to the Texas Higher Education Coordinating Board, to the Legislative Budget Board, and to the Governor's Budget and Planning Office in the form and at the time prescribed].

- 6.2 Appropriation requests for all component institutions shall be prepared by the president in conformity with these instructions and approved by the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and the Chancellor [These legislative budget requests shall be prepared in conformity with the same general procedures, as outlined above in Section 5, for the annual budgets in the following sequence:
- 6.21 Approval of budget request writing policies by the Board upon recommendation of the Chancellor.
 - 6.22 Preparation of a recommended budget request of expenditures by the component president in conformity with these policies.
 - 6.23 Approval of the completed budget request by the appropriate Executive Vice Chancellor, the Chancellor and the Board].
- 6.3 Appropriation requests shall be submitted to the Legislative Budget Board, to the Governor's Budget and Planning Office, and to other State offices as required in the form and at the time prescribed.

BACKGROUND INFORMATION

The proposed nonsubstantive amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 7, Subsection 7.1, Subdivisions 7.15 through 7.18 regarding committee structure, are intended to streamline this Subsection and conform it to current committee processes, following delegation by the U. T. Board of Regents of certain approvals to the U. T. System and the component institutions in 1997. For example, the current text related to the Capital Improvement Plan has been amended to describe the roles of the Health Affairs Committee and Academic

Affairs Committee in the review of priorities related to capital improvement priorities; repetitious language is deleted; and language is limited to committee duties and responsibilities.

The proposed amendments to Part One, Chapter I, Section 8, Subsection 8.5, Subdivision 8.52 of the Rules will make the timing of requests to address the Board more flexible for a requestor by requiring that the request be submitted at least three days prior to the desired appearance. Under the current Regents' Rules, a person who wishes to address the Board of Regents or any committee thereof must file with the Executive Secretary to the Board a written request explaining the purpose of such appearance at least six days before the date of such appearance or have the approval of the Chairman of the Board or a majority of the whole Board for the appearance. As requests for appearance must relate directly to an item on a Board meeting or committee agenda, the proposed amendment allows a potential requestor more advance notice of the meeting agenda prior to the deadline for a request.

The proposed amendment to Part One, Chapter I, Section 8, Subsection 8.6 authorizes the Office of Development and External Relations to provide press information prior to the end of a regular meeting.

The proposed amendments to Part Two, Chapter II, Section 6 conform the text of the Regents' Rules to current practice related to Legislative Appropriation Requests (LAR). Requests are prepared following detailed instructions issued by the Legislative Budget Board and the Governor's Office of Budget and Planning. The proposed changes indicate each president is responsible for preparing the LAR in conformity with the detailed instructions and, upon completion, the Executive Vice Chancellors for Health Affairs, Academic Affairs, and Business Affairs and the Chancellor would review and give final approval prior to submission.

3. U. T. System: Request for Approval of Proposed Goals Statement for Distance Education

RECOMMENDATION

The Chancellor concurs in the recommendation of the Special Committee on Telecommunications and Technology Transfer, chaired by Regent A. R. (Tony) Sanchez, Jr., that the U. T. Board of Regents approve the Goals Statement for

Distance Education in the U. T. System drafted by the Vice Chancellor for Information Technology and Distance Education as set forth below:

DISTANCE EDUCATION IN THE UNIVERSITY OF TEXAS SYSTEM

Background

The Board of Regents of The University of Texas System remains unalterably committed to a fundamental principle: access to education for all Texans is the cornerstone for what Texas will be in the 21st Century. Decisions and actions based on this principle are driven by several well documented facts:

- In order for Texas to provide a better future for all Texans and in order for Texas to continue to be competitive nationally and internationally, Texas must produce more college graduates.
- Our knowledge-based economy will require more educated Texans.
- Current matriculation and graduation rates will be insufficient to produce the additional 20,000 undergraduate degrees that Texas must produce annually on a per capita basis simply to achieve the average national degree production rate.
- For the foreseeable future, funding from traditional sources will be insufficient to construct campus facilities at a rate that will accommodate the anticipated surge in the college student population.

UT TeleCampus

The Board of Regents of The University of Texas System established the UT TeleCampus as the central point for distance education services throughout the U. T. System. The creation of the TeleCampus was based on the following observations:

1. Increased access to educational opportunities and the sharing of educational resources and intellectual capital can have a dramatic impact on education.

2. Information technology and the appropriate use of distance education have the greatest potential for providing better access to educational opportunities to more Texans in the shortest amount of time.

Mission Statement

The mission of the UT TeleCampus is to empower the component institutions of The University of Texas System to be world-class leaders in distance education and to take full advantage of the economies of scale inherent in distance learning technologies.

Operating Principles for the UT TeleCampus

1. All matters of curriculum, course content, student performance and related academic matters remain the responsibility of the accredited component institutions and their faculties. Faculty members will also have a significant voice in determining the technology format or structure of his/her course.

Courses developed on platforms other than the VCampus platform (e. g., WebCT) can be accessed through the TeleCampus subject to only a few constraints: adherence to the Principles of Good Practice published by the Texas Higher Education Coordinating Board and a statement from the faculty author(s) that accepted copyright and intellectual property principles have not been violated.

2. The UT TeleCampus will support the faculty members of the component institutions and the distance learning students in much the same way that the facilities and staff of a physical campus support faculty and students. Services will include provision of online library services, records and registration services, and high quality virtual classrooms. In addition, the TeleCampus will assist and train faculty and staff in the design and delivery of Web-based courses and with copyright and related intellectual property issues.
3. The UT TeleCampus will promote the U. T. name and build market recognition for all component institutions while also encouraging each component to build its own name recognition within its markets.
4. While supporting each component in the development of its own distance learning programs, the TeleCampus will also facilitate the development of cooperative programs using the most appropriate specialists from multiple components.

5. Tuition and fees for TeleCampus courses will be determined by the individual components or, in the case of cooperative programs, by all of the cooperating institutions. Revenues including formula funds will accrue to the institutions teaching the courses.
6. During the development period, the UT TeleCampus will provide financial incentives as a catalyst for institutions and their faculties to develop and offer TeleCampus courses and programs. Incentives will be used to develop instructional expertise and the capacity to offer distance learning instruction.
7. All U. T. System component institutions will be expected to be active participants in distance education activities administered by the UT TeleCampus.

Distance Education Goals -- General

1. During the next five years, the UT TeleCampus will provide a range of programs that are comprehensive, market driven, and based on the needs of Texans as defined most recently by the November 1998 Report of the Texas Strategic Economic Development Planning Commission.
2. These programs should focus on the following Target Market Groups:
 - (a) Business and Industry Learners
 - (b) U. T. Component Campus Students
 - (c) Workforce and Credentials Development
 - (d) Students in Health Education and the Allied Health Professions
 - (e) High School Students
3. Programs administered by the UT TeleCampus should focus on Service, Quality, Consistency, and Opportunity.
 - Service: Provide distance education students, associated faculty, and administrators with a superior, service-oriented organization from which to conduct administrative, support, and distance learning activities.
 - Quality: Create a process that encourages collaboration between U. T. System component institutions and faculty members in the development of high quality distance education courses and programs.

- Consistency: Enhance the quantity and quality of educational resource options and services available to current and future U. T. System students by promulgating consistent standards for component institutions.
- Opportunity: Support the economic and workforce development needs of Texas, including those identified in the State's Strategic Economic Development Plan.

Distance Education Goals -- Specific

1. By Fall 2000, enroll at least 500 students in courses administered by the UT TeleCampus.
2. By Fall 2001, at least one in-service program for public school teachers will be available through the TeleCampus.
3. By Fall 2001, the TeleCampus will be a recognized provider of learning resources and learning assistance to public school students.
4. By Fall 2001, all U. T. component institutions will have used the TeleCampus to deliver at least one credit or continuing education course.
5. By Fall 2001, the TeleCampus will be able to transfer student registration and grade records transparently between the student's home institution and the institution providing the distance learning course.
6. By Fall 2001, some TeleCampus courses will be taught in multiple sections and may be licensed to institutions other than the originating component institution.
7. By Fall 2001, it will be possible to meet the core curriculum requirements of all components with courses delivered by the TeleCampus.
8. By Fall 2001, all U. T. components will have an active cadre of faculty and staff who utilize the TeleCampus for delivery of distance education.
9. By Fall 2001, the TeleCampus will be a major provider of in-service education for public school teachers.

BACKGROUND INFORMATION

The proposed Goals Statement for Distance Education in the U. T. System was prepared by the Vice Chancellor for Information Technology and Distance Education following a request of the Special Committee on Telecommunications and Technology Transfer at its January 5, 2000 meeting. Following a report at the February 2000 U. T. Board of Regents' meeting, the statement was revised and reviewed by the Special Committee on April 3, 2000. The current proposed statement includes comments by the U. T. System institutional presidents.

This statement provides a Mission Statement and Operating Principles for the UT TeleCampus, identifies Target Market Groups, provides General Distance Education Goals (with an emphasis on programs that focus on Service, Quality, Consistency, and Opportunity), and specific Distance Education Goals (on or before Fall 2001, the TeleCampus will enroll more than 500 students and develop programs that address the needs of public school teachers, public school students, meet core curriculum requirements, facilitate registration and the issuance of transcripts, and emphasize the importance of continuing education and certificate programs).

4. U. T. Board of Regents: Proposed Appointment of Regental Representatives to U. T. Austin Intercollegiate Athletics Council for Men and Intercollegiate Athletics Council for Women Effective September 1, 2000

RECOMMENDATION

Chairman Evans, with the concurrence of Chancellor Cunningham and President Faulkner, recommends the appointment of the following as Regental representatives to the U. T. Austin Intercollegiate Athletics Council for Men and the Intercollegiate Athletics Council for Women each for a four-year term beginning September 1, 2000:

- a. Mr. Robert K. Moses, Jr., Houston, Texas, to the Intercollegiate Athletics Council for Men

- b. George Willeford III, M.D., Austin, Texas, to the Intercollegiate Athletics Council for Women.

BACKGROUND INFORMATION

The U. T. Austin Intercollegiate Athletics Council for Men is a nine member advisory group composed of a student, an ex-student, two Regental appointees and five members of the University General Faculty. The Regental appointments are for four (4) year staggered terms. Mr. Moses was appointed to the Council on September 1, 1996 for a term expiring on August 31, 2000.

The Intercollegiate Athletics Council for Women is composed of nine voting members and one nonvoting member as follows: two students (one nonvoting), an ex-student, two Regental appointees and five members of the University General Faculty. The Regental appointments are for four (4) year staggered terms. Dr. Willeford was appointed to the Council on September 1, 1996 for a term expiring on August 31, 2000.

Mr. Moses, who is active in many aspects of the men's athletic program, is a well respected Houston businessman and civic leader who won both All Southwest Conference and All American honors on the U. T. Austin football team.

Dr. Willeford, a gastroenterologist in private practice in Austin and a graduate of U. T. Austin and The University of Texas Southwestern Medical School at Dallas, is an active supporter of many aspects of the women's athletic program.

L. MATTERS RELATED TO THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)

1. U. T. System: Report on Investments for the Fiscal Quarter Ended February 29, 2000

REPORT

Pages 25 - 29 contain the Summary Reports on Investments for the fiscal quarter ended February 29, 2000. Beginning in February, UTIMCO began the process of converting the Permanent University Fund (PUF) to the same asset allocation currently in place for the Permanent Health Fund (PHF) and the Long Term Fund (LTF). This process requires that UTIMCO realign portfolio managers to create identical asset allocations and underlying portfolios across all three endowment funds upon completion.

Item a on Page 25 presents the summary report for Permanent University Fund (PUF) Investments. PUF Investments began the quarter with a market value of \$7.7 billion. During the quarter, contributions of mineral income from PUF Lands equaled \$19.0 million, up 69.6% versus receipts for the second quarter of the prior fiscal year. Total investment return was \$430.1 million. The PUF distributed \$220.3 million to the Available University Fund (AUF) during the quarter. This amount represented the PUF distribution to the AUF for the fiscal year ended August 31, 2000, as approved by the U. T. Board of Regents at its November 11, 1999 meeting. PUF market value ended the quarter at \$7.9 billion.

Quarter-end asset allocation was 71% broadly defined equities, 13% fixed income, and 16% money market funds versus an unconstrained neutral allocation of 80% equities and 20% fixed income. The high percentage in money market funds is transitory and reflected a point in time between the sale of fixed income assets and purchase of new securities in asset classes where the PUF had been underweighted. Within equities, quarter-end allocation was 34% U. S. large and mid cap stocks, 8% U. S. small cap stocks, 7% non-U. S. equities, 14% alternative equities, and 8% inflation hedging.

Total net investment return for the quarter was 5.7% versus the neutral policy portfolio return of 3.8%. The fixed income portfolio posted a net total return of (1.5%) for the quarter versus .4% for the Lehman Aggregate Bond Index. Equities,

as an asset class, posted higher relative returns with the S&P 500 Index and Russell 3000 Index posting returns of 10.2% and 3.2%, respectively. The PUF's equity portfolios (including non-U. S. portfolios) produced a net return of 4.3%. Finally, alternative equities produced a 28.2% net return for the quarter, and inflation hedging assets posted a 10.7% net return.

Item b on Page 26 reports summary activity for the Permanent Health Fund (PHF). The PHF was funded on August 30, 1999, and is only six months old. During the quarter, a contribution in the amount of \$10 million was received from The University of North Texas Health Science Center at Fort Worth.

Quarter-end asset allocation was 74% broadly defined equities, 18% fixed income and 8% money market funds. Within equities, quarter-end allocation was 26% U. S. large and mid cap stocks, 10% U. S. small cap stocks, 19% non-U. S. equities, and 8% inflation hedging. Alternative equities had a weighting of 11% versus a neutral weighting of 25%. The alternative equity asset class will take several years to become fully funded. Total net investment return for the quarter was 5.1% versus the neutral policy portfolio return of 3.8%. PHF market value ended the quarter at \$965.3 million.

Item c on Page 27 reports summary activity for the Long Term Fund (LTF). During the quarter, net contributions totaled \$27.5 million representing a 60.8% increase over the second quarter of the prior fiscal year. Investment return was \$214.1 million. Distributions to the 5,210 endowment and other accounts underlying the LTF totaled \$26.7 million; an increase of 5.95% versus the second quarter of the prior year. The Fund's market value closed the quarter at \$3.0 billion.

Asset allocation at quarter-end was 76% broadly defined equities, 20% fixed income, and 4% money market funds. Within equities, U. S. small cap and non-U. S. equities were slightly overweighted at 10% and 16%, respectively, of total assets. U. S. large and mid cap equities were on target at 25% while alternative equities were underweighted at 18% versus a neutral weighting of 25%. Inflation hedging investments were on target at 7%. Total net investment return for the quarter was 7.6% versus the neutral policy portfolio return of 3.8%.

Item d on Page 28 presents summary activity for the Short Intermediate Term Fund. During the quarter, the Fund received net contributions of \$9.7 million. It earned \$2.5 million in total return and incurred expenses of \$200 thousand. Distributions to the U. T. System component institutions equaled \$28.7 million, resulting in a quarter-end Fund value of \$1.9 billion versus \$1.9 billion at the beginning of the quarter. Total return on the Fund was .13% for the quarter versus the Fund's performance benchmark of .75%.

Item e on Page 29 presents book and market value of cash, fixed income, equity and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$61 million to \$816 million during the second quarter. Asset values for the remaining asset classes were fixed income securities: \$76 million versus \$71 million at previous quarter-end; equities: \$85 million versus \$73 million at previous quarter-end; and other investments of \$8 million versus \$7 million at previous quarter-end.

a. PERMANENT UNIVERSITY FUND

Summary Investment Report at February 29, 2000

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

	FY98-99	FY99-00		
	Full Year	1st Qtr	2nd Qtr	Year-to-date
Beginning Net Assets	6,517.1	7,465.6	7,697.9	7,465.6
PUF Lands Receipts (2)	54.3	18.6	19.0	37.6
Investment Return (3)	1,158.1	279.3	430.1	709.4
Expenses (3)	-	-	(1.9)	(1.9)
Distributions to AUF (3)	(263.9)	(65.6)	(220.3)	(285.9)
Ending Net Assets	<u>7,465.6</u>	<u>7,697.9</u>	<u>7,924.8</u>	<u>7,924.8</u>
AUF Distribution:				
From PUF Investments (3)	263.9	65.6	220.3	285.9
From Surface Income	9.5	1.5	2.1	3.6
Total	<u>273.4</u>	<u>67.1</u>	<u>222.4</u>	<u>289.5</u>

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

- (1) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 1999 values of \$558.8 million and \$156.3 million, respectively.
- (2) PUF Land Receipts - As of February 29, 2000: 1,255,783 acres under lease; 518,557 producing acres; 3,324 active leases; and 2,046 producing leases.
- (3) Restatements - The Investment Summary Report was restated to a presentation which is consistent with the reporting of other endowment funds managed by UTIMCO. With the passage of the PUF's constitutional amendment, distributions to the AUF will be from the total investment return of the PUF. Total investment return includes investment income, realized and unrealized gains. The PUF's constitutional amendment also provided that expenses of managing the PUF lands and investments shall be paid by the PUF.

b. PERMANENT HEALTH FUND

Summary Investment Report at February 29, 2000

PERMANENT HEALTH FUND
SUMMARY REPORT
(\$ millions)

	FY98-99	FY99-00		
	Full Year	1st Qtr	2nd Qtr	Year-to-date
Beginning Net Assets	-	890.3	918.2	890.3
Contributions (1)	890.0	-	10.0	10.0
Investment Return	0.3	38.5	47.9	86.4
Expenses	-	(0.6)	(0.7)	(1.3)
Distributions (Payout)	-	(10.0)	(10.1)	(20.1)
Ending Net Assets	890.3	918.2	965.3	965.3
Net Asset Value per Unit	1.000284	1.031672	1.072895	
No. of Units (End of Period)	890,000,000	890,000,000	899,692,999	
Distribution Rate per Unit	-	0.01125	0.01125	

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

(1) Funded 8/30/99

c. LONG TERM FUND

Summary Investment Report at February 29, 2000

LONG TERM FUND
SUMMARY REPORT
(\$ millions)

	FY98-99	FY99-00		Year-To-Date
	Full Year	1st Qtr	2nd Qtr	
Beginning Net Assets	2,147.7	2,602.3	2,755.6	2,602.3
Net Contributions	85.0	23.1	27.5	50.6
Investment Return	482.5	158.2	214.1	372.3
Receipt of Funds from System for UTIMCO Fee	2.2	0.5	0.5	1.0
Expenses	(8.3)	(1.9)	(3.8)	(5.7)
Distributions (Payout)	(101.5)	(26.4)	(26.7)	(53.1)
Distribution of Gain on Participant Withdrawals	(5.3)	(0.2)	(0.2)	(0.4)
Ending Net Assets	2,602.3	2,755.6	2,967.0	2,967.0
Net Asset Value per Unit	5.347	5.612	5.983	
No. of Units (End of Period)	486,701,841	490,996,364	495,867,447	
Distribution Rate per Unit	0.210	0.05375	0.05375	

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

d. SHORT INTERMEDIATE TERM FUND

Summary Investment Report at February 29, 2000

SHORT INTERMEDIATE TERM FUND
SUMMARY REPORT
(\$ millions)

	FY98-99	FY99-00		
	Full Year	1st Qtr	2nd Qtr	Year-to-Date
Beginning Net Assets	1,809.6	1,769.4	1,903.3	1,769.4
Contributions (Net of Withdrawals)	13.2	143.9	9.7	153.6
Investment Return	53.4	16.7	2.5	19.2
Expenses	(0.5)	(0.1)	(0.2)	(0.3)
Distributions of Income	(106.3)	(26.6)	(28.7)	(55.3)
Ending Net Assets	1,769.4	1,903.3	1,886.6	1,886.6
Net Asset Value per Unit	9.895	9.841	9.705	
No. of Units (End of Period)	178,813,160	193,409,210	194,396,131	

28

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

c. SEPARATELY INVESTED ASSETS

Summary Investment Report at February 29, 2000

**SEPARATELY INVESTED ASSETS
SUMMARY REPORT
(\$ thousands)**

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT &		ANNUITY & LIFE		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	DESIGNATED		RESTRICTED		SIMILAR FUNDS		INCOME FUNDS							
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:														
Beginning value 12/1/99	3,474	3,474	1,336	1,336	28,291	28,291	320	320	3	3	722,045	722,045	755,469	755,469
Increase/(Decrease)	358	358	1,278	1,278	32,006	32,006	(23)	(23)	-	-	27,159	27,159	60,778	60,778
Ending value 2/29/00	3,832	3,832	2,614	2,614	60,297	60,297	297	297	3	3	749,204	749,204	816,247	816,247
Debt Securities:														
Beginning value 12/1/99	-	-	7	5	54,097	52,723	7,982	8,082	-	-	10,164	10,108	72,250	70,918
Increase/(Decrease)	-	-	36	26	(228)	(1,203)	1,711	1,480	-	-	5,199	5,056	6,718	5,359
Ending value 2/29/00	-	-	43	31	53,869	51,520	9,693	9,562	-	-	15,363	15,164	78,968	76,277
Equity Securities:														
Beginning value 12/1/99	42	5,233	5,341	5,492	21,046	37,299	6,864	8,007	-	-	15,794	16,698	49,087	72,729
Increase/(Decrease)	-	7,632	(2,841)	(2,214)	208	191	(2,140)	(1,664)	-	-	8,384	7,926	3,611	11,871
Ending value 2/29/00	42	12,865	2,500	3,278	21,254	37,490	4,724	6,343	-	-	24,178	24,624	52,698	84,600
Other:														
Beginning value 12/1/99	-	-	64	64	483	483	5,850	6,768	-	-	-	-	6,397	7,315
Increase/(Decrease)	-	-	41	41	(1)	(1)	1,400	718	-	-	-	-	1,440	758
Ending value 2/29/00	-	-	105	105	482	482	7,250	7,486	-	-	-	-	7,837	8,073

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.
Details of individual assets by account furnished upon request.

2. U. T. System: Proposed Increases in the Annual Distributions from the Permanent University Fund, Permanent Health Fund, and the Long Term Fund

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that:

- a. The fiscal year distribution from the Permanent University Fund (PUF) to the Available University Fund (AUF) be increased by 2.5% from \$309,202,401 to \$317,081,112 effective September 1, 2000
- b. The annual distribution rate for the Permanent Health Fund (PHF) be increased by 2.2% from \$0.045 per unit to \$0.046 per unit effective November 30, 2000
- c. The annual distribution rate for the U. T. System Long Term Fund (LTF) be increased by 14% from \$0.215 per unit to \$0.245 per unit effective May 31, 2000.

BACKGROUND INFORMATION

The PUF Investment Policy, approved by the U. T. Board on February 9, 2000, states that the annual distribution from the PUF to the AUF shall be an amount equal to 4.5% of the trailing 12 quarter average of the net asset value of the

Fund for the quarter ending February of each fiscal year. Per this formula, the amount to be distributed from the PUF for Fiscal Year 2000-2001 is \$317,081,112 as calculated below:

<u>Quarter Ended</u>	<u>Net Asset Value</u>
5/31/97	\$ 6,048,911,841
8/31/97	6,368,277,993
11/30/97	6,615,090,882
2/28/98	6,976,387,446
5/31/98	7,112,953,989
8/31/98	6,517,087,231
11/30/98	7,188,931,905
2/28/99	7,202,068,320
5/31/99	7,437,047,422
8/31/99	7,465,560,698
11/30/99	7,697,888,965
2/29/00	7,924,756,395
	<u>\$ 84,554,963,087</u>
Number of quarters	12
Average Net Asset Value	\$ 7,046,246,924
Distribution Percentage	4.5%
FY2000-01 Distribution	<u>\$ 317,081,112</u>

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the U. T. Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board of Regents' discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes. The proposed distribution of \$317,081,112 is substantially greater than PUF Bonds Debt Service of \$125,839,337 projected for FY 2000-2001:

<u>System</u>	<u>Debt Service</u>
U. T.	\$ 76,511,337
TAMU	49,328,000
Total	<u>\$ 125,839,337</u>

Sources: UTS Office of Finance
TAMUS Office of Treasury Services

2. The U. T. Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved. As the schedule below indicates, the U. T. Board of Regents may increase the FY1999-2000 distribution of \$309,202,401 by 2.5%, as proposed, because the average annual increase in the rate of growth of the value of PUF investments (net of expenses, inflation and distributions) for the trailing 10-year period ended February 29, 2000, was 4.04%.

Average Annual	%
Rate of Total Return	12.52%
Expense Rate	(0.00%) (1)
Inflation Rate	(2.86%)
Distribution Rate	(5.62%)
Net Real Return	<u>4.04%</u>

(1) Paid from AUF until 1/01/00

3. The annual distribution from the PUF to the AUF during any fiscal year made by the U. T. Board of Regents may not exceed an amount equal to seven percent of the average net fair market value of PUF investment assets as determined by the Board (except as necessary to pay PUF bonds debt service). The annual distribution rate calculated using the trailing 12 quarter average value of the PUF is within the 7% maximum allowable distribution rate.

Value of PUF Investments (1)	Proposed Distribution	Proposed Distribution as a % of Value of PUF Investments	Maximum Allowed Rate
\$7,046,246,924	\$317,081,112	4.50%	7.00%

(1) Source: UTIMCO

The spending formulas under the LTF and the PHF Investment Policy Statements increase distributions from each Fund at the rate of inflation subject to a distribution range of 3.5% to 5.5% of the average market value of the LTF assets and PHF assets for each Fund's respective trailing 12 fiscal quarters.

The 2.2% increase in PHF distribution rate is recommended based on the PHF Investment Policy mandate to increase annual distributions by the rate of inflation and in consideration of the Fund's six-month life. The average increase in the consumer price index for the prior three years as of November 30, 1999, is 2.0%.

The recommendation to increase the LTF distribution rate by 14% will recognize the above average rate of growth in the market value of LTF assets and provide an expected distribution rate at least equal to 4% of the value of initial endowment contributions through the 15-month period ended August 31, 2001.

3. U. T. Board of Regents: Proposed Approval of Appointments to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommends that the U. T. Board of Regents approve the appointment of Ms. Susan M. Byrne, Mr. Woody L. Hunt, and Mr. A. W. "Dub" Riter, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors to serve until their successors are chosen and qualify or until their earlier resignation or removal.

BACKGROUND INFORMATION

Section 66.08 of the Texas Education Code requires that the U. T. Board of Regents approve the appointment of members of the Audit and Ethics Committee of the Board of Directors of UTIMCO. On February 24, 2000, the UTIMCO Board of Directors adopted resolutions appointing Ms. Susan M. Byrne, Mr. Woody L. Hunt, and Mr. A. W. "Dub" Riter, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors and designated Mr. A. W. "Dub" Riter, Jr., as Chair of the Audit and Ethics Committee.

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

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

Executive Committee: Chairman Evans
Vice-Chairman Loeffler, Vice-Chairman Clements
MSA Page 35

Business Affairs and Audit Committee: Chairman Riter
Regent Hunt, Regent Oxford
MSA Page 36

Academic Affairs Committee: Chairman Miller
Regent Hunt, Regent Oxford, Regent Romero
MSA Page 102

Health Affairs Committee: Chairman Loeffler
Regent Clements, Regent Oxford, Regent Sanchez
MSA Page 115

Facilities Planning and Construction Committee:
Chairman Clements, Regent Riter, Regent Romero, Regent Sanchez
MSA Page 131

Executive Committee

EXECUTIVE COMMITTEE
Committee Chairman Evans

Date: May 11, 2000

Time: Following the Reconvening of the Board of Regents at
approximately 9:00 a.m.

Place: Board Room, 9th Floor, Ashbel Smith Hall

There are no items to be considered by the Executive Committee for
this meeting.

Business Affairs & Audit Committee

BUSINESS AFFAIRS AND AUDIT COMMITTEE
Committee Chairman Riter

Date: May 11, 2000
Time: Following the Meeting of the Executive Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

	<u>Page</u>
1. U. T. System: Recommendation to Approve <u>Chancellor's Docket No. 101</u>	38
2. U. T. Board of Regents: Proposed Amendments to the Regents' <u>Rules and Regulations</u> , Part Two, Chapter VI, Sections 2 through 10 (Staff Benefits)	38
3. U. T. Board of Regents: Proposed Adoption of Resolution for the Permanent University Fund Flexible Rate Notes Interim Financing Program	45
4. U. T. System: Recommended Approval of Appointment of Plan Administrator and Carrier for the Dental Program to be Effective September 1, 2000	93
5. U. T. System: Recommended Monthly Premiums for the Medical, Dental and Vision Plans and the Health Maintenance Organizations (HMOs) to be Effective September 1, 2000	93
6. U. T. System: Recommended Appointment of an Administrator for the Self-Funded Prescription Drug Program to be Effective September 1, 2000	94

7. U. T. Austin - C. B. Smith, Sr. Centennial Chairs in United States - Mexico Relations: Request for Approval to Sell Approximately 19.9357 Acres of Land Located on Teri Road, Austin, Travis County, Texas, and Authorization to Execute All Documents Related Thereto 94
8. U. T. El Paso - Expansion of Swimming and Fitness Center: Request for Appropriation of Funds and Authorization of Expenditure and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity 95

INFORMATIONAL REPORT

- U. T. System: Discussion of the March 2000 Monthly Financial Report 101

1. U. T. System: Recommendation to Approve Chancellor's Docket No. 101

RECOMMENDATION

It is recommended that Chancellor's Docket No. 101 be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part Two, Chapter VI, Sections 2 through 10 (Staff Benefits)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter VI, Sections 2 through 10, relating to staff benefits, be amended as set forth below in congressional style:

Sec. 2. Optional Retirement Program.

- 2.1 Eligibility standards for participation in the Optional Retirement Program (O.R.P.) shall be established pursuant [Pursuant] to Texas Government Code[;] Section 830.001 et seq. [;] and [subject to] eligibility rules adopted by the Texas Higher Education Coordinating Board [; the following employees are eligible to participate in the Optional Retirement Program (O.R.P.):
 - 2.11 ~~Full-time faculty members appointed at least four and one-half months.~~
 - 2.12 ~~Full-time administrative personnel responsible for teaching and research faculty appointed for at least four and one-half months.~~

~~2.13~~ The Chancellor and individuals employed full time as Executive Vice Chancellors, Vice Chancellors, chief administrative officers, vice presidents, and professional librarians, or other full-time professional staff persons whose national mobility requirements are similar to those of faculty members and who fill positions that are the subject of nationwide searches in the academic community].

2.2 [In accordance with conditions approved by the U. T. Board of Regents and in consultation with the Office of the Executive Vice Chancellor for Business Affairs, the Director of the Office of Human Resources will review and approve the companies authorized to provide annuity contracts, custodial accounts or investment contracts under the O.R.P.

2-3] In consultation with the Office of the Executive Vice Chancellor for Business Affairs and in accordance with federal and State [state] laws and regulations, the Director of the Office of Human Resources is authorized to issue on a periodic basis a Request for Proposals which contains the criteria a life insurance or mutual fund vendor must meet and continue to meet for selection and retention as an authorized vendor ["Guidelines for Administration" for evaluation of organizations authorized to provide annuity contracts, custodial accounts or investment contracts] under the Optional Retirement Program. The Board of Regents shall select those companies accepted as vendors, based upon recommendation from the Director of Human Resources with the concurrence of the Executive Vice Chancellor for Business Affairs. Within a reasonable time period following selection by the Board of Regents, each vendor must execute a contract for products and services. The contract must be acceptable to The University of Texas System and must include the selection criteria contained in the Request for Proposals.

2.3 [2-4] Each O.R.P. participant shall be permitted up to four [One] changes of O.R.P. vendors [companies is allowed] per year, provided each change is to a company on the currently authorized vendor list. All O.R.P. vendor changes shall be in accordance with institutional policy governing such changes. [The change may be made only on the first day of a month.]

2.4 Transfers of O.R.P. accounts may be made only to one of the currently authorized O.R.P. vendors. The change may be made only on the first day of a month.

Sec. 3. University of Texas Governmental Retirement Arrangement.

3.1 The Board of Regents of The University of Texas System has established a "governmental excess benefits plan" for the Optional Retirement Program, authorized under Internal Revenue Code Section 415(m) and Texas Government Code Section 830.004 and designated as The University of Texas Governmental Retirement Arrangement (UTGRA).

3.2 Eligibility for participation shall be based on an employee's date of initial participation in the Optional Retirement Program and the employee's level of earnings.

3.3 Participation in the program and all subsequent distributions shall be in accordance with the plan documents.

3.4 All funds participating in UTGRA including the monthly State contribution, amounts reduced from each participant's salary, and any subsequent investment earnings are the property of the Board of Regents until such time as an authorized distribution is executed in accordance with the plan document.

3.5 The Board of Regents shall, at its discretion, authorize an external organization to provide trustee services and recordkeeping services for UTGRA.

Sec. ~~4~~[3]. Tax Sheltered Annuities.

~~4~~[3].1 Pursuant to Article 6228a-5, Vernon's Texas Civil Statutes, an employee may purchase Tax Sheltered Annuities (T.S.A.) from a [through an approved] company authorized to engage in business in the State of Texas, provided the products are authorized for Internal Revenue Code Section 403(b) participation.

~~4~~[3].2 ~~[In accordance with conditions approved by]~~ The University of Texas System Office of Human Resources, ~~[Board of Regents and]~~ in consultation with the Office of the Executive Vice Chancellor for Business Affairs, shall maintain a listing of [the Director of the Office of Human Resources will review and

approve] companies authorized to offer annuities or other investments under the Tax Sheltered Annuity Program.

[3.3 ~~In consultation with the Office of the Executive Vice Chancellor for Business Affairs and in accordance with state and federal laws and regulations, the Director of the Office of Human Resources is authorized to issue "Guidelines for Administration" for evaluation of organizations seeking to write tax sheltered annuities or other investments for employees of The University of Texas System.]~~

Sec. 5[4]. Employee Group Insurance and Health Benefits.

- 5[4].1 All group insurance, ~~[and]~~ health benefit programs and cafeteria plans authorized by law for employees of the U. T. System and its component institutions shall be administered by the Chancellor on behalf of the Board.
- 5[4].2 The Chancellor shall provide for the planning, implementation, management, and administration of the employee group insurance and health benefit programs through such U. T. System committees and administrators as the Chancellor deems appropriate.
- 5[4].3 The Chancellor will submit for review and approval by the Board, recommendations on matters regarding the employee group insurance program ~~[benefits, premiums, and eligibility criteria for each group insurance and health benefit program; all contracts to provide a policy or policies of insurance and related services for a group insurance or health benefit program; and all contracts to provide services related to the implementation and administration of an authorized self-insured employee group benefit program].~~

Sec. 6[5]. Workers' Compensation Insurance.

- 6[5].1 Pursuant to Texas Labor Code Section 503.001 et seq., ~~[Texas Labor Code,]~~ a self-insured System-wide Workers' Compensation Insurance (W.C.I.) Program will provide certain benefits for injuries sustained in the course and scope of employment.
- 6[5].2 The Office of Business and Administrative Services shall investigate injuries ~~[Human Resources]~~, with the assistance of other appropriate System and component institution offices~~[-shall investigate injuries].~~

- 6[5].3 The component institutions shall be responsible for reporting all work-related injuries to the Office of Business and Administrative Services [~~Human Resources~~]. The Office of Business and Administrative Services [~~Human Resources~~] shall file reports of lost time injuries and occupational diseases with the Texas Workers' Compensation Commission (T₂W₂C₂C₂).
- 6[5].4 The Office of Business and Administrative Services [~~Human Resources~~] shall coordinate occupational safety and health activities.
- 6[5].5 The Office of General Counsel shall be responsible for a determination on appeal of T₂W₂C₂C₂ decisions.
- 6[5].6 A percentage of annual payroll, as approved by the Executive Vice Chancellor for Business Affairs [~~U. T. Board of Regents~~], shall be set aside to fund the Workers' Compensation Insurance Fund (W.C.I. Fund).
- 6[5].61 Each institutional chief business officer shall be responsible for the transmission of amounts to be added to the W.C.I. Fund for all salaries paid, as instructed by the Office of Business and Administrative Services [~~Human Resources~~], for receipt into the W.C.I. Fund no later than 20 days after the end of each month.
- 6[5].62 The W.C.I. Fund must be deposited or invested in the same manner as other local institutional funds as specified in [~~Part Two, Chapter III, Section 4 of~~] these Rules and Regulations.
- 6[5].7 The Office of Business and Administrative Services [~~Human Resources~~] shall be responsible for processing all W.C.I. claims for medical care and compensation.
- 6[5].8 The Office of Business and Administrative Services [~~Human Resources~~] shall prepare an annual report on the status of the W.C.I. Fund for the U. T. Board of Regents [~~on the status of the W.C.I. Fund~~].

Sec. 7[6]. Unemployment Compensation Insurance Program.

- 7[6].1 The System-wide Unemployment Compensation Insurance (U.C.I.) Program will provide weekly benefits as specified in Section 207.001 et seq., Texas Labor Code.

7[6].2 The Unemployment Compensation Insurance Fund (U.C.I. Fund) is established by the U. T. Board of Regents to be deposited or invested in the same manner as other local institutional funds as specified in Part Two, Chapter III, Section 4 of these Rules and Regulations. The Office of Human Resources shall administer funding by assessment on all salary sources excluding those salaries paid from ~~[other than]~~ State General Revenue ~~[Funds]~~ as provided in Subsection 7[6].24 below.

7[6].21 The System will reimburse the State ~~[General Revenue Fund]~~ from the U.C.I. Fund for claims charge-backs paid by the State Comptroller for former employees whose salaries were paid from sources ~~[funds]~~ other than State General Revenue ~~[Funds]~~.

7[6].22 Claims charge-backs for former employees whose salaries were paid from State General Revenue ~~[Funds]~~ shall be referred to each component institution ~~[the State Comptroller]~~ for reimbursement of one-half of the claim paid by the State Comptroller ~~[payment]~~.

7[6].23 The U.C.I. Fund shall at all times operate under principles established by the U. S. Department of Health and Human Services.

7[6].24 Assessment rates shall be calculated to provide minimum U.C.I. Fund balance fluctuations and maximum rate stability. Each institutional chief business officer shall be responsible for the transmission of such assessed amounts, as instructed by the Office of Human Resources, for receipt into the U.C.I. Fund no later than 20 days after the end of the month.

7[6].25 Expenditures from the U.C.I. Fund shall be limited to direct costs in accordance with Office of Management and Budget Circular A-21.

7[6].3 The Office of Human Resources, working in coordination with appropriate System and component institution offices, shall administer the U.C.I. Program, provide assistance as necessary to component institutions, and represent ~~[the]~~ System Administration in appeals to the Texas Workforce ~~[Employment]~~ Commission (T.W~~[E]~~.C.).

7[6].4 The Office of General Counsel shall be responsible for a determination on appeals of T.W~~[E]~~.C. decisions.

7[6].5 The Office of Human Resources shall prepare an annual report on the status of the U.C.I. Fund for the U. T. Board of Regents [~~on the status of the U. C. Fund~~].

Sec. 8[7]. Social Security (Old Age and Survivors Insurance).

Pursuant to 42 U.S.C. Sections [§]410 through 418, all employees must participate in the Social Security Program, except for those employees specifically exempted from participation such as student employees in accordance with applicable agreements between the State of Texas and the Social Security Administration.

Sec. 9[8]. Deferred Compensation Plan.

As authorized by Chapter 609, Texas Government Code [Article 6252-3b, Vernon's Texas Civil Statutes], any employee may participate in the Deferred Compensation Plan.

Sec. 10[9]. U. S. Savings Bonds.

All employees shall be provided the opportunity to participate in the purchase of U. S. Savings Bonds by payroll deduction.

Sec. 11[10]. Availability of [Complete] Benefit Descriptions.

The Director of the Office of Employee Group Insurance Programs and the Director of Human Resources, through coordination with each of the component institutions, [~~Chancellor~~] shall insure that up-to-date accurate descriptions of the participation and eligibility requirements for all employee benefits and programs are conveniently available to all prospective and current employees at System Administration offices and at all component institutions.

BACKGROUND INFORMATION

Part Two, Chapter VI of the Regents' Rules and Regulations sets forth specific authority for U. T. System staff benefits programs. These benefits are dynamic and exist within the U. T. System administrative structure and State and federal regulatory and statutory authority. As these structures experience change, the language contained in the Regents' Rules and Regulations must be periodically modified to reflect these changes.

The proposed revisions to current Section 3, concerning the Tax Sheltered Annuity Program, reflect changes to State law that permit an employee to participate with any company that is authorized to do business in the State of Texas and provide products that are in compliance with Internal Revenue Code Section 403(b). Approval of the proposed revisions will formally repeal the "Conditions to be Met by Organizations Seeking Authorization to Write Tax Sheltered Annuities or Other Investments for Employees of The University of Texas System" approved by the U. T. Board of Regents in December 1981, and amended in October 1983. These Conditions, although outdated, form the basis of the list of companies authorized to offer annuities or other investments referenced in current Subsection 3.2.

These revisions are part of an ongoing project to review and suggest needed revisions to the Regents' Rules and Regulations.

3. U. T. Board of Regents: Proposed Adoption of Resolution for the Permanent University Fund Flexible Rate Notes Interim Financing Program

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents adopt a Resolution for the Permanent University Fund Flexible Rate Notes Interim Financing Program substantially in the form set out on Pages 47 - 92. The proposed Resolution will amend the Permanent University Fund Variable Rate Notes Interim Financing Program approved by the U. T. Board of Regents on April 14, 1994, to:

- a. Authorize the issuance of obligations in an aggregate principal amount outstanding at any one time not to exceed \$250,000,000 to provide interim financing to pay project costs for eligible projects
- b. Authorize such obligations to be issued, sold, and delivered as flexible rate notes and prescribe the terms, features, and characteristics of such notes
- c. Approve and authorize certain officers and employees, on behalf of the Board of Regents of The University of Texas System, to sell and to deliver such notes, within the limitations and procedures specified therein

- d. Make certain covenants and agreements in connection therewith, and
- e. Resolve other matters incident and related to the issuance, sale, security, and delivery of such notes.

BACKGROUND INFORMATION

The proposed Flexible Rate Notes Interim Financing Program replaces a similar program for Variable Rate Notes authorized by the U. T. Board of Regents on April 14, 1994. The prior program became obsolete when an amendment to the Texas Constitution, adopted on November 2, 1999, altered the source of and method for determining distributions to the Available University Fund. The initial installment of notes issued pursuant to the new program will be used to refund all outstanding notes, in the principal amount of \$30,000,000, issued under the prior program. The remainder of the proceeds of the initial installment, net of the costs of issuance of such notes, will be used to pay project costs of eligible projects.

The current Credit Agreement for the Permanent University Fund notes expires on May 31, 2000. On February 16, 2000, five proposals were received for a three-year Credit Agreement, in the form of a standby note purchase agreement, for the Permanent University Fund Flexible Rate Notes, Series A. The respondents were Westdeutsche Landesbank Girozentrale, Morgan Guaranty Trust, Bank of Nova Scotia, Commerzbank, and Bank One, NA. Bank One, NA, offered the lowest fee at .07%, which is projected to total \$585,000 for the three-year period and is \$250,000 lower than the next lowest bid.

In addition to authorizing the issuance of notes, adoption of the Resolution provides approval of a Credit Agreement with Bank One, NA, and authorizes appropriate U. T. System officials to execute the agreement and to make necessary changes, additions, or amendments to the related Trust Agreement with the Comptroller of Public Accounts of the State of Texas, the Issuing and Paying Agent/Registrar Agreement with Bankers Trust Company, and the Remarketing Agreement with Goldman, Sachs & Company and Bankers Trust Company. Copies of these agreements, in substantially final form, are on file in the U. T. System Office of Finance.

The U. T. System Office of Finance and Vinson & Elkins, L.L.P., as Bond Counsel, have reviewed the proposed Resolution and each of the agreements necessary to implement the Flexible Rates Notes Interim Financing Program. The staff has also held favorable discussions regarding the proposed changes with rating agencies, investment banks, and remarketing agents.

A RESOLUTION establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$250,000,000 to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered as flexible rate notes, and prescribing the terms, features, and characteristics of such notes; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such notes, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security, and delivery of such notes, including the approval of a Credit Agreement, and an Official Statement, and certain changes, additions or amendments to the related Trust Agreement, Issuing and Paying Agent/Registrar Agreement, and Remarketing Agreement; and providing an effective date.

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

- 1.01. Definitions
- 1.02. Recitals, Table of Contents, Titles and Headings
- 1.03. Interpretation

ARTICLE II

AUTHORIZATION OF NOTES

- 2.01. General Authorization
- 2.02. Terms Applicable to Notes - General
- 2.03. Redemption of Notes
- 2.04. Credit Agreement
- 2.05. Form of Notes
- 2.06. Execution - Authentication
- 2.07. Notes Mutilated, Lost, Destroyed, or Stolen
- 2.08. Negotiability, Registration and Exchangeability
- 2.09. Series A Note Payment Fund
- 2.10. Pledge of Revenues; Payments
- 2.11. Application of Prior Covenants
- 2.12. Series A Note Construction Fund
- 2.13. Cancellation
- 2.14. Fiscal and Other Agents
- 2.15. Trust Agreement
- 2.16. Book-Entry System

ARTICLE III

INTEREST RATES ON NOTES

- 3.01. Initial Interest Rates; Subsequent Rates
- 3.02. Flexible Rates
- 3.03. Notices to Registered Owners
- 3.04. Interest on Notes Purchased by Liquidity Provider

ARTICLE IV

TENDER AND PURCHASE OF NOTES

- 4.01. Tenders
- 4.02. Mandatory Tender

- 4.03. Inadequate Funds for Tenders
- 4.04. Mandatory Tender at End of Initial Flexible Rate Period

ARTICLE V

ISSUE AND SALE OF NOTES

- 5.01. Issuance and Sale of Notes
- 5.02. Proceeds of Sale of Notes
- 5.03. Issuing and Paying Agent Agreement
- 5.04. Remarketing Agreement; Remarketing Agent

ARTICLE VI

COVENANTS OF THE BOARD

- 6.01. Limitation on Issuance
- 6.02. General Covenant
- 6.03. Payment of Fund Priority Obligations and Notes
- 6.04. Maintenance of Available Credit Agreement Requirement
- 6.05. Available Funds
- 6.06. Notes to Remain Tax Exempt
- 6.07. Supplemental Resolutions
- 6.08. Opinions of Attorney General and Bond Counsel
- 6.09. Compliance With Bond Resolution and Other Documents
- 6.10. Reservation of Right to Issue Obligations of Superior Lien, Obligations of Inferior Lien and Short Term Obligations
- 6.11. No Amendments to Transaction Documents Without Consent of Liquidity Provider

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

- 7.01. Events of Default
- 7.02. Suits at Law or in Equity and Mandamus
- 7.03. Remedies Not Exclusive

ARTICLE VIII

MISCELLANEOUS

- 8.01. Amendments or Modifications Without Consent of Holders
- 8.02. Additional Actions
- 8.03. Resolution to Constitute a Contract; Equal Security
- 8.04. Severability of Invalid Provisions

8.05.	Payment and Performance on Business Days
8.06.	Defeasance
8.07.	Limitation of Benefits With Respect to the Resolution
8.08.	Approval of Attorney General and Registration by the Comptroller
8.09.	Approval of Official Statement
8.10.	Notices
8.11.	References to Liquidity Provider
8.12.	Repeal of Resolution Authorizing Prior Notes

A RESOLUTION establishing an interim financing program; approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$250,000,000 to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered as flexible rate notes, and prescribing the terms, features, and characteristics of such notes; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such notes, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security, and delivery of such notes, including the approval of a Credit Agreement, and an Official Statement, and certain changes, additions or amendments to the related Trust Agreement, Issuing and Paying Agent/Registrar Agreement, and Remarketing Agreement; and providing an effective date.

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") hereby determines to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code; and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984 (the "1984 Constitutional Amendment") authorizes the Board to issue bonds and notes not to exceed a total amount of twenty percent (20%) of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined) (exclusive of real estate) at the time of issuance thereof, and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal and interest of those bonds and notes, for the purpose of acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under such section or prior law, at or for the System administration and certain component institutions of the System; and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution adopted by vote of the people of Texas on November 2, 1999 (the "1999 Constitutional Amendment"), redefined the Available University Fund to consist of "the distributions made to it from the total return on all investment assets of the [P]ermanent [U]niversity [F]und, including the net income attributable to the surface of [P]ermanent [U]niversity [F]und land" and provided that "the amount of any distributions . . . shall be determined by the [Board] in a manner intended to provide the [A]vailable [U]niversity [F]und with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of [P]ermanent [U]niversity [F]und investments and annual distributions to the [A]vailable [U]niversity [F]und;" and

WHEREAS, a temporary provision adopted as part of the 1999 Constitutional Amendment provides that:

[t]he amendment of Section 18, Article VII, of this constitution adopted in 1999 does not impair any obligation created by the issuance of bonds or notes in accordance with that section before January 1, 2000 and all outstanding bonds and notes validly issued under that section remain valid, enforceable, and binding and shall be paid in full, both principal and interest, in accordance with their terms and from the sources pledged to their payment; and

WHEREAS, the Board has previously issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991, Series 1992A and Series 1996 and its Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1992B and Series 1997 pursuant to the 1984 Constitutional Amendment, being payable from and secured by a first lien on and pledge of the Interest of the System (hereinafter defined) in the Available University Fund; and

WHEREAS, the Board, by resolution, has previously established an interim financing program to pay Project Costs (hereinafter defined) for Eligible Projects (hereinafter defined) and authorized the issuance of Prior Notes (hereinafter defined) in an aggregate principal amount at any time outstanding of not to exceed \$250,000,000; and

WHEREAS, the Board, by this resolution, has determined to replace the interim financing program established by its prior resolutions and to authorize the issuance hereunder of its Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A, in an amount at any one time outstanding of not to exceed \$250,000,000 (the "Notes"), in order to provide interim financing of Project Costs of Eligible Projects and to refinance, renew, or refund Notes and Prior Notes, all as herein provided; and

WHEREAS, the Notes authorized hereby shall be secured in part by the Interest of the System in the Available University Fund, such lien and pledge thereof, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations (hereinafter defined) outstanding on or after the date of issuance of the Notes; and

WHEREAS, the Board hereby finds that the purposes for which the Board may issue such Notes constitute "public works," as contemplated by Chapter 1371, Texas Government Code; and

WHEREAS, arrangements relating to the interim financing program have been settled and the Board hereby finds and determines that the issuance of such Notes, subject to the terms, conditions, and limitations hereinafter prescribed, should be approved and authorized at this time;
NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context shall indicate a contrary meaning or intent, the terms below defined, for all purposes of this Resolution or any resolution amendatory or supplemental hereto, shall be construed, are used and are intended to have the following meanings, to-wit:

"*Acts*" shall mean, collectively, Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code.

"*Agreement*" or "*Credit Agreement*" shall mean the liquidity agreement approved and authorized to be entered into by Section 2.04, as from time to time amended or supplemented, or any other standby purchase agreement, letter of credit, line of credit or similar liquidity agreement or Board resolution provided in lieu thereof in accordance with the provisions of Section 6.04.

"*Authorized Representative*" shall mean one or more of the following officers or employees of the System, to-wit: the Chancellor, the Executive Vice Chancellor for Business Affairs, the Assistant Vice Chancellor for Finance and the Director of Finance, or such other officer or employee of the System authorized by the Board to act as an Authorized Representative.

"*Available University Fund*" shall mean the fund by that name specified in the Constitutional Provision, which fund consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to the Constitutional Provision.

"*Board of Regents*" or "*Board*" shall mean the Board of Regents of the System.

"*Bond Counsel*" shall mean Vinson & Elkins L.L.P. or any other attorney or firm of attorneys nationally recognized as experienced in the field of bonds of governmental issuers and appointed by the Board.

"*Bond Resolution*" shall mean, collectively, the resolutions authorizing any Fund Priority Obligations.

"*Business Day*" shall mean any day (a) when banks are open for business in Austin, Texas, (b) when banks are not authorized to be closed in New York, New York and (c) when banks are open for business in the city in which the Liquidity Provider is obligated to make payments to purchase Notes tendered for purchase pursuant to the Credit Agreement, initially Chicago Illinois.

"*Comptroller*" shall mean the Comptroller of Public Accounts of the State or any successor thereto.

"*Constitutional Amendment Bond Resolutions*" shall mean the resolutions authorizing the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds and the Series 1997 Bonds and any other resolution of the Board authorizing the issuance of bonds on a parity with the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds and the Series 1997 Bonds.

"*Constitutional Provision*" shall mean Section 18 of Article VII of the Constitution of the State, as amended and in effect on the date hereof, and any amendment thereto or any other amendment to the Constitution of the State relating to the Permanent University Fund hereafter approved by the voters of the State.

"*Dealer*" or "*Remarketing Agent*" shall have the meaning given said term in Section 5.04.

"*Defeasance Obligations*" shall mean (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the Board adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a Rating Agency not less than AAA or its equivalent.

"*DTC*" shall mean The Depository Trust Company, New York, New York, and its successors and assigns, or any other securities depository selected by an Authorized Representative pursuant to Section 2.16 of this Resolution.

"*DTC Participant*" shall mean the 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.

"*Electronic Means*" shall mean telecopy, telegram, telegraph, telex, facsimile transmission, electronic mail or other similar electronic means of communication.

"*Eligible Project*" shall mean the acquisition of land, either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials. The term "*Eligible Project*" shall not include the construction, equipping, repairing, or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises.

"*Fiscal Year*" shall mean the twelve-month operational period of the System commencing on September 1 of each year and ending on the following August 31.

"*Fitch*" shall mean Fitch IBCA or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"*Flexible Rate*" shall mean, when used with respect to any particular Notes, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to Section 3.02.

"*Flexible Rate Period*" shall mean each period during which a Note bears interest at a Flexible Rate.

"*Fund Priority Obligations*" shall mean the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds, the Series 1997 Bonds, and any other obligations issued by the Board pursuant to the Constitutional Provision which are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes.

"*Holder*" or "*Noteholder*" shall mean the Registered Owner or any person, firm, association, or corporation who is in possession of any Note drawn, issued or endorsed to such person, firm, association, or corporation or to the order of such person, firm, association, or corporation.

"*Interest of the System*" and "*Interest*" in the Available University Fund shall mean the System's two-thirds interest in the Available University Fund as apportioned and provided in the Constitutional Provision.

"*Interest Payment Date*" shall mean (a) when used with respect to any particular Note (other than a Purchased Note), the last day of each Flexible Rate Period applicable thereto, and (b) when used with respect to any Purchased Note, the date on which interest is payable on such Purchased Note pursuant to the Credit Agreement.

"*Interest Period*" shall mean the period from and including any Interest Payment Date to and including the day immediately preceding the next following Interest Payment Date.

"*Issuing and Paying Agent*," "*Paying Agent/Registrar*," "*Paying Agent*" or "*Registrar*" shall mean the agent appointed pursuant to Section 2.02, or any successor to such agent.

"*Issuing and Paying Agent Agreement*" or "*Paying Agent/Registrar Agreement*" shall mean the agreement referred to in Section 5.03, as from time to time amended or supplemented.

"*Liquidity Provider*" shall mean, initially Bank One, NA, and, subsequently, any liquidity provider which becomes a party to a Credit Agreement, including, without limitation, the Board if the Board has adopted a resolution constituting a Credit Agreement pursuant to Section 6.04(b).

"*Maximum Interest Rate*" shall mean the lesser of (a) fifteen percent (15%) per annum and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Chapter 1204, Texas Government Code, or any successor provision).

"*Maximum Maturity Date*" shall mean May 15, 2030.

"*Moody's*" shall mean Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"*1984 Constitutional Amendment*" shall mean the amendment to the Constitutional Provision approved by the voters on November 6, 1984.

"*1999 Constitutional Amendment*" shall mean the amendment to the Constitutional Provision approved by the voters on November 2, 1999.

"*Note*" or "*Flexible Rate Note*" shall mean the evidence of indebtedness authorized to be issued and at any time outstanding pursuant to this Resolution, in substantially the form described in Section 2.05.

"*Note Date*" shall have the meaning given in Section 2.02.

"*Permanent University Fund*," "*Permanent Fund*," and "*Fund*," used interchangeably herein, shall mean the Permanent University Fund as created, established, implemented, and administered pursuant to Article VII, Sections 10, 11, 11a, 11b, 15, and 18 of the Constitution of the State, as currently or hereafter amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

"*Permanent University Fund Obligations*" shall mean, collectively, all bonds or notes of the Board or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of the Constitutional Provision, payable from and secured by a lien on and pledge of the Available University Fund.

"*Prior Notes*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A, authorized to be issued in the maximum aggregate principal amount of \$250,000,000 at any one time outstanding, pursuant to a resolution adopted by the Board on April 14, 1994.

"*Project Costs*" shall mean all costs and expenses incurred in relation to Eligible Projects, including without limitation design, planning, engineering, and legal costs, acquisition costs of land, interests in land, right-of-way, and easements, construction costs, costs of machinery, equipment, and other capital assets incident and related to the operation, maintenance, and administration of an Eligible Project, and financing costs, including interest during construction and thereafter, underwriter's discount and/or fees, legal, financial, and other professional services, and reimbursement for such Project Costs attributable to Eligible Projects incurred prior to the issuance of any Notes.

"*Purchased Notes*" shall mean Notes purchased by or on behalf of the Liquidity Provider pursuant to the Credit Agreement until such Notes are resold by or on behalf of the Liquidity Provider as contemplated by the Credit Agreement.

"*Rating Agency*" shall mean each nationally recognized securities rating agency which at the time has a credit rating assigned to the Notes at the request of the Board.

"*Registered Owner*" shall mean the person or entity in whose name any Note is registered in the Registration Books.

"*Registration Books*" shall mean the books or records relating to the registration, payment and transfer or exchange of the Notes maintained by the Issuing and Paying Agent pursuant to Sections 2.02 and 2.08.

"*Regular Record Date*" shall mean, with respect to any Note, the close of business on the Business Day immediately preceding the Interest Payment Date of such Note.

"*Remarketing Agent*" shall mean, initially Goldman, Sachs & Co., and, subsequently, any remarketing agent which becomes a party to a Remarketing Agreement.

"*Remarketing Agreement*" shall mean the amended and restated remarketing agreement approved and authorized to be entered into by Section 5.04, as from time to time amended or supplemented, or any other remarketing agreement provided in lieu thereof.

"*Resolution*" shall mean this resolution and any amendment, modification, or supplement hereto as permitted hereby.

"*Series 1991 Bonds*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1991, dated April 1, 1991, and issued in the aggregate principal amount of \$254,230,000.

"*Series 1992A Bonds*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1992A, dated May 15, 1992, and issued in the aggregate principal amount of \$196,015,000.

"*Series 1992B Bonds*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1992B, dated April 1, 1992, and issued in the aggregate principal amount of \$80,000,000.

"*Series 1996 Bonds*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1996, dated February 1, 1996, and issued in the aggregate principal amount of \$263,945,000.

"*Series 1997 Bonds*" shall mean The Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1997, dated December 1, 1997, and issued in the aggregate principal amount of \$130,000,000.

"*Short Term Obligations*" shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes) payable from the same sources, or any

portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

"*Special System Account*" shall mean The State Comptroller - University of Texas Special System Account established by the Comptroller pursuant to the Trust Agreement.

"*Standard & Poor's*" or "*S&P*" shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill, or, if such entity ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"*State*" shall mean the State of Texas.

"*System*" shall mean The University of Texas System.

"*Trust Agreement*" shall mean the amended and restated trust agreement approved and authorized to be entered into by Section 2.15, as from time to time amended or supplemented.

Section 1.02. Recitals, Table of Contents, Titles and Headings. The terms and phrases used in the recitals of this Resolution have been included for convenience of reference only and the meaning, construction and interpretation of such terms and phrases for purposes of this Resolution shall be determined solely by reference to Section 1.01 of this Resolution. The table of contents, titles and headings of the articles and section of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.03. Interpretation. Unless the context requires otherwise, words of the singular number used in this Resolution shall be construed to include correlative words of the feminine and neuter genders and vice versa. References in this Resolution to numbered Articles, Sections or portions thereof shall refer to the respective Articles and Sections of the Resolution, unless expressly specified otherwise. The terms "hereof," "herein," "hereunder" and similar terms shall refer to this Resolution as a whole and not to any particular provision of this Resolution. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the provisions set forth herein and to sustain the validity of this Resolution.

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. General Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly the Constitutional Provision and the Acts, Notes to be designated "Board of Regents of The University of Texas System Permanent University Fund Flexible Rate Notes, Series A" are hereby authorized to be issued in an aggregate principal amount not to exceed TWO HUNDRED FIFTY MILLION DOLLARS (\$250,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Notes and Prior Notes, including interest thereon, all in

accordance with and subject to the terms, conditions, and limitations contained herein. For purposes of this Section 2.01, any portion of outstanding Notes to be paid from money on deposit in the Series A Note Payment Fund or the Special System Account and from the available proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligations of the Board issued pursuant to the Constitutional Provision on the day of calculation shall not be considered outstanding.

Section 2.02. Terms Applicable to Notes - General. Under and pursuant to authority granted hereby and subject to the limitations contained herein, Notes shall be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative, such Notes to be dated as of the date of initial authentication of such Notes (the "Note Date"), to be in denominations provided in the Form of Notes in Section 2.05, to be numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the date or dates selected by an Authorized Representative in accordance with this Resolution but not later than the Maximum Maturity Date.

Subject to applicable terms, limitations, and procedures contained herein and to the provisions of Articles III and IV, the Notes may be sold in such manner at public or private sale and at par or at such discount or premium (within the interest rate and yield restrictions provided herein) as an Authorized Representative shall approve at the time of the sale thereof; provided, however, that if any Notes are required to be sold through competitive bidding, such Notes shall be sold in accordance with the procedures set forth in Section 5.01.

The Notes shall bear interest at rates as determined pursuant to this Resolution. Interest on the Notes shall be payable at maturity and at such intervals prior to maturity, all as determined in accordance with the provisions of Articles III and IV and in the Form of Notes set forth in Section 2.05. All computations of interest shall be based on 365-day years for the actual number of days elapsed. Principal of and interest on the Notes shall be payable on the dates and in the manner set forth in Section 2.05 and Articles III and IV. The Notes shall be subject to purchase on demand of the Holder thereof and redemption prior to maturity under the terms and conditions and at the redemption price as set forth in Section 2.05 and Articles III and IV or as otherwise determined by an Authorized Representative.

The Notes shall be issued in fully registered form, without coupons. The selection and appointment of Bankers Trust Company, New York, New York, to serve as Paying Agent/Registrar for the Notes is hereby confirmed and the Board covenants and agrees to keep and maintain the Registration Books at the corporate trust office of the Paying Agent/Registrar, all as provided herein and pursuant to such reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Notes are outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any State and authorized under such laws to exercise trust powers. Should a change in the Paying Agent/Registrar for the Notes occur, the Board agrees to promptly cause a written notice thereof to be (i) sent to each Registered Owner of the Notes then outstanding by United States mail, first-class, postage prepaid and (ii) 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 (2) calendar weeks, provided, however, the publication of such notice shall not be required if notice is given to each Holder. Such notice shall

give the address of the successor Paying Agent/Registrar. A successor Paying Agent/Registrar may be appointed without the consent of the Holders. Should the Paying Agent/Registrar resign or be removed, such resignation or removal shall not be effective until a successor Paying Agent/Registrar has been appointed by the Board and such appointment has been accepted. A copy of the Registration Books and any change thereto shall be provided to the Board by the Paying Agent/Registrar, by means of telecommunications equipment or such other means as may be mutually agreeable thereto.

The Board and the Paying Agent/Registrar may treat the Registered Owner of any Note as the absolute owner thereof for the purpose of receiving payment thereof and for all other purposes, and the Board and the Paying Agent/Registrar shall not be affected by any notice or knowledge to the contrary.

Section 2.03. Redemption of Notes. To exercise its option to redeem Notes, the Authorized Representative shall deliver notice to the Paying Agent of its intention to redeem the Notes, which notice shall specify the principal amount of the Notes to be redeemed, and, if less than all of the Notes are to be called, the Notes or portions thereof to be redeemed, at least two (2) days prior to the proposed redemption date. The Paying Agent shall cause notice of any redemption of Notes to be mailed to each Registered Owner of Notes to be redeemed at the respective addresses appearing in the Registration Books. If such notice shall (i) be mailed at least one (1) day prior to the redemption date, (ii) identify the Notes to be redeemed (specifying the CUSIP numbers (as defined in Section 2.05), if any, assigned to the Notes), (iii) specify the redemption date and the redemption price, and (iv) state that (a) on the redemption date the Notes called for redemption will be payable at the designated corporate trust office of the Paying Agent, (b) from the redemption date interest will cease to accrue, and (c) no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Notes, and, if due provision for the payment of the redemption price is made, then the Notes which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the Registered Owner thereof to receive the redemption price from the Paying Agent. No defect affecting the giving of notice of redemption of any Notes, whether in the notice of redemption or mailing thereof (including any failure to mail such notice) shall affect the validity of the redemption provisions for any other Notes.

Section 2.04. Credit Agreement. The Agreement, substantially in the form of the liquidity agreement presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Liquidity Provider. An Authorized Representative is hereby authorized to execute and deliver the Agreement and any other documents called for thereunder.

Section 2.05. Form of Notes. The Notes and the Registration Certificate or the Certificate of Authentication to appear on each of the Notes shall be substantially in the form set forth in this Section with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Banks Association ("CUSIP" numbers)) and such legends and endorsements thereon as may, consistently herewith, be approved by an Authorized

Representative. In addition, whenever the beneficial ownership of the Notes is determined by a book-entry at DTC, the Issuing and Paying Agent may, without further approval from the Board or an Authorized Representative, place such letters, numbers, marks of identification, legends and endorsements on the Notes as are necessary to satisfy the requirements of DTC. Any portion of the text of any Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Notes.

The Notes shall be printed, lithographed, or engraved or produced in any other similar manner, or typewritten, all as determined and approved by an Authorized Representative.

Form of Notes

\$ _____ Number _____

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
FLEXIBLE RATE NOTE, SERIES A

MATURITY DATE:

Interest Rate ¹	Tender Date ¹	Note Date	Principal Amount
_____	_____	_____	_____

REGISTERED OWNER:

THE BOARD OF REGENTS (the "Board") OF THE UNIVERSITY OF TEXAS SYSTEM (the "System") being an agency of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the registered owner set forth above, or the assignee thereof, on the Maturity Date specified above the principal amount specified above and to pay interest, if any, on said principal amount from the above specified Note Date to said Maturity Date or earlier redemption date or the date of payment pursuant to a demand for payment at the rate determined as herein provided from the most recent Interest Payment Date (defined below) to which interest has been paid or duly provided for or from the Note Date if no interest has been paid, such payments of interest to be made on each Interest Payment Date until the principal hereof has been paid or provided for as aforesaid. Both principal of and interest on this note are payable in immediately available funds, upon presentation and surrender of this note at the designated corporate office of the Paying Agent/Registrar for the Notes (as hereinafter defined), initially Bankers Trust Company, New York, New York, to the registered owner hereof

¹To be included on Notes during Flexible Rate Periods, unless the beneficial ownership of such Notes is then determined by a book-entry at DTC.

whose name appears on the registration and transfer books (the "Registration Books") kept by the Paying Agent/Registrar as of the close of business on the record date next preceding any interest payment date by check or by such other method requested by and at the risk and expense of the registered owner. The record date for any Interest Payment Date shall be the close of business on the Business Day immediately preceding the Interest Payment Date. Notwithstanding the foregoing, during any period in which ownership of the Notes is determined only by a book entry at a securities depository for the Notes, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

THIS NOTE is one of an issue of flexible rate notes (the "Notes") which has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board for the purpose of providing interim financing of Project Costs of Eligible Projects and to refinance, renew, or refund Notes issued pursuant to the provisions of the Resolution and certain prior notes issued pursuant to a separate resolution of the Board; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Chapter 1371, Texas Government Code, and Section 65.46, Texas Education Code. The Notes will be issued in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000. Capitalized terms used herein and not otherwise defined shall have the meaning given in the Resolution.

THIS NOTE, together with the other Notes, is payable (which includes the obligation to purchase upon tender as provided herein) from and equally secured by (i) the proceeds from (a) the sale of Fund Priority Obligations, Short Term Obligations, or other obligations of the Board under the Constitutional Provision issued for such purpose and (b) the sale of Notes issued pursuant to the Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, and (iii) the Interest of the System in the Available University Fund, such lien on and pledge of the Interest of the System in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the payment of Fund Priority Obligations now outstanding and hereafter issued by the Board. The Board reserves the right in the Resolution to enter into interest rate swap, cap or floor agreements, currency swap agreements, or similar agreements in relation to the payment or exchange of payments on the Notes and to provide that the obligations of the Board under such agreement may be secured by a pledge of the Interest of the System in the Available University Fund which is on a parity with the pledge securing payment of the Notes.

THIS NOTE, together with the other Notes, is payable solely from the sources hereinabove identified securing the payment thereof. The Notes do not constitute a legal or equitable pledge, charge, lien, or encumbrance upon any property of the Board, except with respect to the Interest of the System in the Available University Fund, and the holder hereof shall never have the right to demand payment of this obligation from any sources or properties of the Board except as identified above.

INTEREST ON NOTES

The originally issued Notes shall bear interest at the applicable rate for the applicable Flexible Rate Period as determined by an Authorized Representative. At the end of the initial Flexible Rate

Period, the Notes shall be subject to mandatory tender, without right of retention by the registered owner. Thereafter, the Notes will bear interest at Flexible Rates effective for Flexible Rate Periods (not exceeding 270 days) established in accordance with the Resolution, from time to time. The interest rate for each particular Note will remain in effect for the duration of the Flexible Rate Period. The Notes may have successive Flexible Rate Periods of any duration up to 270 days each and any Note may bear interest at a rate and for a period different from any other Note.

The rate of interest applicable to any Flexible Rate Period shall be determined in accordance with the applicable provisions of the Resolution and pursuant to the terms of the Remarketing Agreement between the Board and Goldman, Sachs & Co., or any successor thereto (the "Remarketing Agent"). All computations of interest shall be based on 365-day years for the actual number of days elapsed.

Unless otherwise established by an Authorized Representative, each Flexible Rate and Flexible Rate Period shall be determined by the Remarketing Agent in connection with the sale of the Notes to which they relate by the offer and acceptance of purchase commitments for such Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions.

While this note bears interest at a Flexible Rate, interest is payable on the last day of each Flexible Rate Period. Each such date is herein defined as an "Interest Payment Date."

MANDATORY TENDERS

This note shall be tendered for purchase at the principal amount thereof plus accrued interest to the Paying Agent/Registrar (i) on the effective date of a change from one Flexible Rate Period to another Flexible Rate Period, (ii) upon the expiration or termination of the Credit Agreement (as defined in the Resolution), and (iii) at the direction of the liquidity provider under the Credit Agreement as a result of the occurrence of an "event of default" thereunder; provided, however, that, except for a mandatory tender pursuant to clause (iii) above, the registered owner of this note may elect to retain this note (or his investment in this note) upon written notice to the Paying Agent/Registrar as provided in the Resolution.

Interest on any Note as to which a registered owner has not elected to continue to own after a mandatory tender date (as described above) and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the mandatory tender date, and the registered owner of such Note shall not be entitled to any payment other than the purchase price for such Note and such Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Note from monies held by the Paying Agent/Registrar for such payment. On the mandatory tender date, the Paying Agent/Registrar shall authenticate and deliver substitute Notes in lieu of such untendered Notes.

Notwithstanding the foregoing, during any period in which ownership of the Notes is determined by a book-entry at a securities depository for the Notes, tenders of the Notes shall be

made pursuant to such security depository's deliver order procedures or repayment option procedures, as applicable, as in effect from time to time.

OPTIONAL REDEMPTION

This note is subject to redemption by the Board on any Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date.

PURCHASED NOTES

Notwithstanding the other terms of this note, during any period in which this note has been purchased by the liquidity provider under the Credit Agreement, this note shall (i) bear interest at the rate (which interest shall be payable on the dates) specified in the Credit Agreement and (ii) be subject to redemption on the dates, in the amounts, at the redemption prices and in the manner set forth in the Credit Agreement.

IT IS HEREBY CERTIFIED AND RECITED that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this note, do exist, have happened, and have been performed in regular and due time, form, and manner as required by law and that the issuance of this note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Constitutional Provision or the Resolution.

THIS NOTE is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

THIS NOTE shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this note shall have been authenticated by the Paying Agent/Registrar or registered by the Comptroller of Public Accounts of the State of Texas.

IN WITNESS WHEREOF, the Board has authorized and caused this note to be executed on its behalf by the manual or facsimile signatures of the Chairman of the Board and the Executive Secretary of the Board and its official seal impressed or a facsimile thereof to be printed hereon.

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Chairman

ATTEST:

Executive Secretary

(SEAL)

COMPTROLLER'S REGISTRATION CERTIFICATE
[TO APPEAR ONLY ON INITIALLY ISSUED NOTES]

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

§
§
§
§

REGISTER NO. _____

THE STATE OF TEXAS

I HEREBY CERTIFY THAT this note has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Note has been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this ___ day of _____, 20__.

Comptroller of Public Accounts
of the State of Texas

(SEAL)

PAYING AGENT/REGISTRAR'S
CERTIFICATE OF AUTHENTICATION
[TO APPEAR ONLY ON NOTES ISSUED IN EXCHANGE]

This note is one of the Notes delivered pursuant to the within mentioned Resolution.

BANKERS TRUST COMPANY,
as Paying Agent/Registrar

Registered This Date:

By

Countersignature

Section 2.06. Execution - Authentication. The Notes shall be executed on behalf of the Board by the Chairman of the Board under its seal reproduced or impressed thereon and attested by the Executive Secretary of the Board. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Board, notwithstanding that such individuals or either of them shall cease to hold

such offices at the time of the initial sale and delivery of Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Chapter 1201, Texas Government Code.

No Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication substantially in the applicable form provided in Section 2.05, executed by the Paying Agent/Registrar by manual signature, and such certificate of authentication upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly certified or registered and delivered; except that on each initially issued Note there shall be manually endorsed a certificate of registration, substantially in the form provided in Section 2.05, executed by the Comptroller, or her duly authorized deputy, in lieu of the certificate of authentication required in the immediately preceding clause and such certificate of registration on any initially issued Note shall be conclusive evidence and the only competent evidence that such Note has been duly issued and delivered hereunder.

Section 2.07. Notes Mutilated, Lost, Destroyed, or Stolen. If any Note shall become mutilated, the Board, at the expense of the Holder of said Note, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent/Registrar of the Note so mutilated. If any Note shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Board and the Paying Agent/Registrar and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Board, at the expense of the Holder, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed, or stolen. In the event any such Note shall have matured the Paying Agent/Registrar instead of issuing a duplicate Note may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the Board nor the Paying Agent/Registrar shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The Board and the Paying Agent may charge the Holder of such Note with their reasonable fees and expenses for such service.

Section 2.08. Negotiability, Registration and Exchangeability. The Notes issued hereunder shall be, and shall have all of the qualities and incidents of a negotiable instrument under the laws of the State, and each successive Holder, in accepting any of the obligations, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State.

Registration Books relating to the registration, payment, and transfer or exchange of the Notes shall at all times be kept and maintained by the Board at the corporate trust office of the Registrar, and the Registrar shall obtain, record, and maintain in the Registration Books the name and, to the extent provided by or on behalf of such Registered Owner, the address of each Registered Owner of the Notes issued under and pursuant to the provisions of this Resolution. In addition, in accordance with the terms of the Issuing and Paying Agent Agreement, a copy of the records reflected in the Registration Books shall be maintained at the System office in Austin, Texas. Any Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Notes of like tenor

and character and of other authorized denominations upon the Registration Books by the Holder thereof in person or by his duly authorized agent, upon surrender of such Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar.

Upon surrender for transfer of any Note at the designated corporate trust office of the Registrar, the Registrar shall register and deliver, in the name of the designated transferee or transferees, one or more new Notes, executed on behalf of and furnished by the Board, of like tenor and character and of authorized denominations, and having the same maturity, bearing interest at the same rate, and of a like aggregate principal amount as the Note or Notes surrendered for transfer.

Furthermore, Notes may be exchanged for other Notes of like tenor and character and of authorized denominations and having the same maturity, bearing the same rate of interest, and of like aggregate principal amount as the Notes surrendered for exchange, upon surrender of the Notes to be exchanged at the designated corporate trust office of the Registrar. Whenever any Notes are so surrendered for exchange, the Registrar shall register and deliver new Notes of like tenor and character as the Notes exchanged, executed on behalf of, and furnished by, the Board to the Holder thereof requesting the exchange.

The Board and the Registrar may charge the Holder a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer. The Registrar or the Board may also require payment from the Holder of a sum sufficient to cover any tax, fee, or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Note shall be delivered.

Except as required by the Credit Agreement, the Board and the Paying Agent/Registrar shall not be required to transfer or exchange any Note selected, called, or being called for redemption in whole or in part unless said Note has been tendered for purchase and remarketed for a period which ends no later than the redemption date.

New Notes delivered upon any transfer or exchange shall be valid special obligations of the Board, evidencing the same debt as the Notes surrendered, shall be secured by this Resolution and shall be entitled to all of the security and benefits hereof to the same extent as the Notes surrendered.

The Board reserves the right to change the above registration and transferability provisions of the Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States of America in effect at the time of issuance thereof. In addition, to the extent that the provisions of this Section conflict with or are inconsistent with the provisions of Section 2.05 or Articles III and IV, such other provisions shall control.

Section 2.09. Series A Note Payment Fund. There is hereby established with the Issuing and Paying Agent a separate and special fund designated as the "Board of Regents of The University of Texas System, Series A Note Payment Fund" (the "Series A Note Payment Fund"). The proceeds from the sale of Fund Priority Obligations issued for the purpose of refunding and retiring Notes shall be deposited to the credit of the Series A Note Payment Fund and used for such purpose. In addition, all amounts required to be deposited by the Board pursuant to Section 2.10 shall be deposited to the

Series A Note Payment Fund and shall be used to pay principal of and interest on Notes as the same come due and mature or are required to be purchased as provided herein. In the event no Notes are outstanding, any amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof shall be transferred to the Interest and Sinking Fund.

Additionally all draws under the Credit Agreement shall be deposited into the Series A Note Payment Fund and used to pay the purchase price of Notes pursuant to Articles III and IV.

Pending the expenditure of moneys in the Series A Note Payment Fund for authorized purposes, moneys deposited therein may be invested at the direction of an Authorized Representative in the manner prescribed by law and in accordance with the written policies adopted by the Board, except that moneys in the Series A Note Payment Fund representing amounts for the purchase of tendered Notes may be invested only in direct obligation of, or obligations the principal of and interest on which are guaranteed by, the United States of America; provided that all such investments shall be made in such manner that the money required to be paid from the Series A Note Payment Fund will be available at the proper time or times. Any income received from investments in the Series A Note Payment Fund shall be retained in the Series A Note Payment Fund.

Section 2.10. Pledge of Revenues; Payments.

(a) The Notes are special obligations of the Board payable from and secured solely by the funds pledged therefor pursuant to this Resolution. The Board agrees to make payments into the Series A Note Payment Fund at such times and in such amounts as are necessary to provide for the full payment of the principal of and the interest on and purchase price of the Notes as the same come due and mature or are required to be purchased. Payments from the Series A Note Payment Fund shall be made from the first moneys deposited to the account of the Series A Note Payment Fund. Unless paid from the proceeds from the sale of Fund Priority Obligations, Short Term Obligations, Notes, or other obligations of the Board issued pursuant to the Constitutional Provision, such payments are to be made from the amounts required to be deposited in the Series A Note Payment Fund.

(b) To provide security for the payment of the principal of and interest on the Notes as the same shall come due and mature or as the same are required to be purchased, there is hereby pledged, subject only to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein, (i) the proceeds from (A) the sale of the Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Provision issued for such purpose and (B) the sale of Notes issued pursuant to this Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, that amounts in the Series A Note Payment Fund attributable to and derived from remarketing of Notes tendered for purchase and from draws under and pursuant to the Credit Agreement are pledged solely to, and shall be used solely to pay, the purchase price of tendered Notes, and (iii) the Interest of the System in the Available University Fund, such pledge of Interest of the System in the Available University Fund, however, being subordinate to the pledge thereof securing the payment of Fund Priority Obligations as described below, and it is hereby resolved and declared that the principal of and interest on the Notes shall be and are hereby equally

and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), and (iii) subject and subordinate only to the exceptions noted therein.

(c) To the extent permitted by applicable law, the Board reserves the right to enter into interest rate swap, cap or floor agreements, currency swap agreements or similar agreements in relation to the payment or exchange of payments on the Notes and to pledge the Interest of the System in the Available University Fund to secure the Board's obligations thereunder, which pledge may be on a parity with the pledge securing payment of the Notes.

Section 2.11. Application of Prior Covenants. The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the Constitutional Amendment Bond Resolutions are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Notes and the Holders thereof in like manner as applicable to the Fund Priority Obligations.

In accordance with the provisions of the Constitutional Amendment Bond Resolutions, the Notes represent obligations which are subordinate to the Fund Priority Obligations. There heretofore has been established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of monies to be deposited into the Interest and Sinking Fund from the Interest of the System in the Available University Fund which demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund Priority Obligations as the same mature and come due, the balance of the Interest of the System in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal of the Notes as the same come due and mature or are required to be purchased to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Provision. After provision has been made for the payment of the interest and any principal of the Notes, the balance of the Interest of the System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it may lawfully direct.

There has heretofore been established in the Treasury of the State of Texas the Special System Account. If there is on deposit in the Special System Account from the Interest of the System in the Available University Fund, monies sufficient to pay the interest on and/or principal of the Notes as the same come due and mature or are required to be purchased, an Authorized Representative or such other designated officer or employee shall transfer from the Special System Account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund moneys sufficient to pay such amounts, and thereafter shall coordinate with the Comptroller and take such actions as shall be necessary to restore the Special System Account to an amount equal to the amount such official estimates will be necessary from the Interest of the System in the Available University Fund, to pay said interest on and/or principal of the Notes, including the purchase price thereof.

Section 2.12. Series A Note Construction Fund. The Board hereby reaffirms that there is established a separate account designated as the "Board of Regents of The University of Texas System Series A Note Construction Fund" (the "Series A Note Construction Fund"). The Series A Note Construction Fund is and shall be maintained by the Board in an official depository of the System. Moneys on deposit or to be deposited in the Series A Note Construction Fund shall remain therein until from time to time expended for the Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below. Pending the expenditure of moneys in the Series A Note Construction Fund, moneys deposited therein or credited thereto may be invested at the direction of an Authorized Representative in the manner prescribed by law and in accordance with the written policies adopted by the Board. Any income received from investments in the Series A Note Construction Fund shall be retained in the Series A Note Construction Fund.

Any amounts remaining in the Series A Note Construction Fund and not necessary for the payment of Project Costs shall be paid into the Series A Note Payment Fund and used either for the payment of interest during construction and thereafter on the Notes, payment of such maturities or purchases of the Notes coming due at such times as may be selected by the Authorized Representative. In the event no Notes are outstanding, any amounts in the Series A Note Construction Fund not anticipated to be needed to pay Project Costs shall be transferred to the Interest and Sinking Fund.

Section 2.13. Cancellation. All Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest thereof or are surrendered for transfer or exchange pursuant to the provisions hereof shall, upon payment or issuance of new Notes, be canceled by the Paying Agent/Registrar. The Paying Agent/Registrar shall destroy and cancel Notes and shall furnish the Board with a certificate of destruction.

Section 2.14. Fiscal and Other Agents. In furtherance of the purposes of this Resolution, the Board may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes.

Section 2.15. Trust Agreement. The Trust Agreement, substantially in the form of the amended and restated trust agreement presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Comptroller. An Authorized Representative is hereby authorized to execute and deliver the Trust Agreement and any other documents called for thereunder.

Section 2.16. Book-Entry System. (a) The Board has determined to issue the Notes initially in book-entry form and has determined to appoint The Depository Trust Company, New York, New York ("DTC") to serve as the initial securities depository for the Notes and to maintain a book-entry only system of recording the ownership and transfer of ownership of beneficial interests in the Notes in accordance with this Section.

(b) Notwithstanding any provision of this Resolution to the contrary, unless the Board shall otherwise direct, a Master Note (evidencing all of the Board's obligations under the Notes) shall be issued in lieu of individual Notes, which Master Note shall be registered in the name of Cede & Co., as nominee of DTC, as the Holder of the Master Note, and held in the custody of DTC. Beneficial

owners of the Notes will not receive physical delivery of Note certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Notes as provided herein, all transfers and beneficial ownership interests in the Notes will be made by book-entry only, and no investor or other party purchasing, selling, or otherwise transferring beneficial ownership interests in the Notes is to receive, hold, or deliver any Note certificate; provided, however, that, if DTC fails or refuses to act as securities depository for the Notes, the Board shall take the actions necessary to provide for the issuance of physical certificates to the Holders of such Notes.

With respect to a Master Note 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 a DTC Participant holds an interest in the Notes. 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 Notes; (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Notes, as shown in the Registration Books, of any notice with respect to the Notes, including any notice of redemption; and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Notes, as shown in the Registration Books, of any amount with respect to the principal of and interest on the Notes.

(c) In the event that (i) DTC determines not to continue to act as securities depository for the Notes (which determination shall become effective not less than 90 days after written notice to such effect is given to the Board and the Paying Agent/Registrar); (ii) the Board or the Paying Agent/Registrar determines (which determination is conclusive as to DTC, any DTC Participant, and the beneficial owners of the Notes) that DTC is incapable of discharging its responsibilities described herein and in the DTC Letter of Representations; or (iii) the Board or the Paying Agent/Registrar determines (which determination is conclusive as to DTC, any DTC Participant and the beneficial owners of the Notes) that it is in the best interests of the beneficial owners of the Notes not to continue DTC's book-entry only system of transfer for the Notes, then the Board shall use its best efforts to appoint a successor securities depository, qualified to act as such under Section 17A of the Securities Exchange Act of 1934, as amended. In the event of such an appointment, the Board shall notify (A) DTC of the appointment of such successor securities depository and transfer one or more separate Notes to such successor securities depository or (B) DTC Participants of the availability through DTC of Notes and transfer one or more separate Notes to DTC Participants having Notes credited to their DTC accounts. In such event, the Master Notes and Notes 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 registered owners transferring or exchanging Notes shall designate, in accordance with the provisions of this Resolution.

In the event that the Board fails to appoint a successor securities depository for the Notes, the Board shall execute and cause to be authenticated and delivered replacement Notes, in certificated form, to the beneficial owners of the Notes.

(d) Notwithstanding any other provision of this Resolution to the contrary, as long as the Master Note or the Notes are registered in the name of Cede & Co., as nominee of DTC, (i) all payments with respect to the principal of and interest on the Notes and all notices with respect to such Notes shall be made and given, respectively, in the manner provided in the DTC Letter of Representations; (ii) the requirements of this Resolution of holding, registering, delivering, exchanging, or transferring the Notes shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to holding, registering, delivering, exchanging or transferring the book entry to produce the same effect; and (iii) delivery of the Master Notes and the Notes will be in accordance with arrangements among the Board, the Paying Agent/Registrar, and DTC.

(e) If at any time, DTC ceases to hold the Master Note or the Notes in book-entry only form, all references herein to DTC shall be of no further force or effect.

(f) The terms and provisions of the DTC Letter of Representations and the Master Note are hereby approved.

ARTICLE III

INTEREST RATES ON NOTES

Section 3.01. Initial Interest Rates; Subsequent Rates. Each of the Notes originally issued hereunder shall bear interest at an initial rate for an initial Flexible Rate Period (established by an Authorized Representative) determined through competitive bid or otherwise in accordance with the requirements of Section 5.01; provided that in no event shall the initial rate exceed the Maximum Interest Rate. At the end of said initial Flexible Rate Period, the Notes shall be subject to mandatory tender, without right of retention by the Registered Owner. Thereafter, the Notes shall bear interest at the Flexible Rates determined from time to time in accordance with the provisions of Section 3.02.

Section 3.02. Flexible Rates. A Flexible Rate for each Flexible Rate Period shall be determined as follows:

(i) the Flexible Rate Period for each Note shall be of such duration, not exceeding 270 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 4.01 hereof and any Note may bear interest at a Flexible Rate for a Flexible Rate Period different from any other Note; provided that each such Flexible Rate Period shall (A) commence on a Business Day, and (B) end on a Business Day; and

(ii) the Flexible Rate for each Flexible Rate Period shall be effective from and including the commencement date of such period through but not including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Note or Notes to which it relates pursuant to Section 4.01 hereof. Flexible Rates shall be determined for Notes prior to the commencement of each Flexible Rate Period with respect to such Note by the Remarketing Agent in connection with the remarketing of Notes, by the offer and acceptance of purchase commitments for such Notes at a rate or rates it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market

conditions; provided that in no event shall the Flexible Rate for any Flexible Rate Period exceed the Maximum Interest Rate. The Remarketing Agent shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for each Note by providing telephonic notice of such period and rate to an Authorized Representative. If the Flexible Rate Period is approved by an Authorized Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty (30) minutes after such telephonic notice), it shall become effective on the first day of the next Flexible Rate Period. If the period is rejected by the Authorized Representative, the next succeeding Flexible Rate Period shall be a Flexible Rate Period of one day's duration. Longer Flexible Rate Periods may be established pursuant to Section 4.01(b) hereof.

Section 3.03. Notices to Registered Owners. In the event that the Remarketing Agent has not provided the Registrar with complete registration information, including the name and address of any Registered Owner of a Note, any notice which the Paying Agent is required to give to such Registered Owner with respect to such Note shall be sent by the Paying Agent to the Remarketing Agent and it shall be the sole responsibility of the Remarketing Agent to furnish such notice to the Registered Owner. Where the Registrar has not been provided with complete registration information, including name and address of any Registered Owner, the Registrar and Paying Agent shall have no responsibility nor incur any liability in connection with the giving of such notice.

Section 3.04. Interest on Notes Purchased by Liquidity Provider. Anything to the contrary contained herein notwithstanding, Purchased Notes shall

- (i) be outstanding for all purposes of the Resolution;
- (ii) bear interest at the rate of interest specified in the Credit Agreement; and
- (iii) be subject to redemption on the dates, in the amounts, at the redemption prices and in the manner set forth in the Credit Agreement.

ARTICLE IV

TENDER AND PURCHASE OF NOTES

Section 4.01. Tenders.

(a) **Purchase Dates.** Each Note shall be subject to mandatory tender for purchase, on the last day of each Flexible Rate Period applicable to such Note at a purchase price equal to one hundred percent (100%) of the principal amount thereof, plus interest accrued during such Flexible Rate Period, subject, however, to the right of the Registered Owner to elect to retain his investment in the Note (unless, prior to such mandatory tender date, the Paying Agent shall have caused notice of tender of such Note to be mailed to the Registered Owner thereof in accordance with Section 2.03 of this Resolution) by irrevocable telephonic or written notice delivered to the Remarketing Agent not later than 3:00 p.m., New York City time, on the Business Day before the expiration of the then current term of such Flexible Rate for that Note; provided, however, that, as provided in Section 3.01, the Registered Owner shall not have the right of retention at the end of the initial Flexible Rate

Period. In the event a Registered Owner of a Note bearing interest at a Flexible Rate desires to retain his investment, the Registered Owner must present his Note to the Paying Agent in exchange for payment of principal and accrued interest in immediately available funds and the Paying Agent will authenticate and deliver to the Remarketing Agent for redelivery to such Registered Owner a substitute Note for the term of the succeeding Flexible Rate Period in replacement of the old Note. Each such Flexible Rate Period and mandatory tender date for a Note shall be established on the date of purchase of such Note as hereinafter provided. The Registered Owner of any Note tendered for purchase as provided in this Section 4.01(a) shall provide the Paying Agent with payment instructions for the purchase price of its Note upon tender thereof to the Paying Agent.

(b) Remarketing of Tendered Notes. Not later than 3:00 p.m., New York City time, on the Business Day immediately preceding each purchase date the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Notes bearing interest at Flexible Rates required to be purchased on the ensuing purchase date. Subject to the provisions of Section 3.02, in remarketing the Notes, the Remarketing Agent shall offer and accept purchase commitments for the Notes for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, under prevailing market conditions, a lower net interest cost on the Notes can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 270 days. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Paying Agent in immediately available funds in exchange for Notes registered in the name of the new Registered Owner delivered to the Remarketing Agent at or before 2:15 p.m., New York City time, on the purchase date. Such payment by the Remarketing Agent pursuant to authorization shall be made no later than 2:45 p.m., New York City time, on such date, unless the Remarketing Agent shall notify the Paying Agent that the Notes are to be reauthenticated in accordance with instructions from the Remarketing Agent.

(c) Purchase of Tendered Notes.

(i) Notice. At or before 12:00 noon, New York City time, on the date fixed for purchase of tendered Notes, the Remarketing Agent shall give notice by telephone or Electronic Means to the Authorized Representative and the Paying Agent of the principal amount of tendered Notes which were remarketed. At or before 12:30 p.m., New York City time on the date fixed for purchase, the Remarketing Agent shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of the names, and taxpayer identification numbers of the purchasers, the denominations of Notes to be delivered to each purchaser, and, if available, payment instructions for regularly scheduled interest payments. Not later than 1:00 p.m., New York City time, on the date fixed for purchase, the Paying Agent shall give notice by Electronic Means to an Authorized Representative and the Liquidity Provider specifying the principal amount of tendered Notes as to which the Remarketing Agent has advised the Paying Agent that it has found a purchaser and has committed to deliver the remarketing proceeds from such tendered Notes on the dates and by the times required for payment of the purchase price of such tendered Notes by the Remarketing Agent to the Paying Agent, which notice shall

also constitute, or be accompanied by, a draw on the Credit Agreement to pay the principal amount plus the accrued and unpaid interest to the purchase date of such tendered Notes as to which the Remarketing Agent has not found a purchaser or committed to deliver the remarketing proceeds. If the Paying Agent has not received the notice from the Remarketing Agent described in the preceding sentence by 1:00 p.m., New York City time, on the date fixed for purchase, the Paying Agent shall assume that no tendered Notes have been remarketed and shall draw on the Credit Agreement the amount necessary to pay the principal of plus the accrued and unpaid interest to the purchase date of such tendered Notes.

(ii) Sources of Payment. (A) The Remarketing Agent shall cause to be paid to the Paying Agent for deposit in the Series A Note Payment Fund on the date fixed for purchase of tendered Notes, all amounts representing proceeds of the remarketing of such Notes, such payments to be made in the manner and at the time specified in Section 4.01(b) above. If such amounts, plus all other amounts received by the Paying Agent for the purchase of tendered Notes, are not sufficient to pay the principal amount plus the accrued and unpaid interest thereon to the purchase date (if any), the Paying Agent shall immediately notify the Authorized Representative and the Liquidity Provider of any deficiency. Further, if sufficient amounts for payment of the unpaid purchase price of tendered Notes shall not have been deposited in the Series A Note Payment Account by 2:45 p.m., New York City time, on the date set for purchase of tendered Notes, the Paying Agent shall immediately notify the Authorized Representative of any deficiency; whereupon the Board shall, to the extent permitted by applicable law, purchase such Notes as investments for the Permanent University Fund by delivering to the Paying Agent from the Permanent University Fund immediately available funds in an amount at least equal to such deficiency prior to 3:00 p.m., New York City time, on the date set for purchase of tendered Notes. (B) All monies received by the Paying Agent as remarketing proceeds, draws on the Credit Agreement and additional amounts, if any, received from the Board shall be deposited by the Paying Agent in the Series A Note Payment Account to be used solely for the payment of the purchase price of tendered Notes and shall not be commingled with other funds held by the Paying Agent. (C) If any such monies exceed the amounts required to pay the purchase price of tendered Notes, such excess shall be paid to the Liquidity Provider to the extent necessary to satisfy any amounts owed to it under the Credit Agreement and then to the Board.

(iii) Payments by the Paying Agent. At or before 3:00 p.m., New York City time, on the date set for purchase of tendered Notes and upon receipt by the Paying Agent of one hundred percent (100%) of the aggregate purchase price of the tendered Notes, the Paying Agent shall pay the purchase price of such Notes to the Holders thereof at its designated corporate trust office or by bank wire transfer. Such payments shall be made in immediately available funds. The Paying Agent shall apply in order (A) moneys paid to it by the Remarketing Agent as proceeds of the remarketing of such Notes by the Remarketing Agent, (B) moneys drawn on the Credit Agreement, and (C) moneys made available by the Board. If sufficient funds are not available for the purchase of all tendered Notes, no purchase shall be consummated.

(iv) Registration and Delivery of Tendered or Purchased Notes. On the date of purchase, the Paying Agent shall register and deliver (or hold) all Notes purchased on any purchase

date as follows: (A) Notes purchased or remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:15 p.m., New York City time, in accordance with the instructions of the Remarketing Agent; (B) Notes purchased with amounts drawn under the Credit Agreement, if any, shall be registered for transfer to the Liquidity Provider and, upon such registration of transfer, the Paying Agent shall hold such purchased Notes for the account of the Liquidity Provider in accordance with the terms of the Credit Agreement; provided that if such purchased Notes are held in the book-entry system described in Section 2.16, the Paying Agent shall cause such purchased Notes to be transferred to the Liquidity Provider's DTC account; and (C) Notes purchased with amounts provided by the Board from the Permanent University Fund shall be registered in the name of the Permanent University Fund and shall be held by the Paying Agent on behalf of the Permanent University Fund and shall not be released unless the Paying Agent shall have received written instructions from an Authorized Representative.

(v) Sale of Notes Registered to Liquidity Provider or Permanent University Fund. In the event that any Notes are registered to the Liquidity Provider or the Permanent University Fund pursuant to Section 4.01(c)(iv) above, the Remarketing Agent shall offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider and, to the extent requested by an Authorized Representative, such Notes registered to the Permanent University Fund at a price equal to the principal amount thereof plus any accrued interest.

(vi) Delivery of Notes; Effect of Failure to Surrender Notes. All Notes to be purchased on any date shall be required to be delivered to the designated corporate trust office of the Paying Agent at or before 3:00 p.m., New York City time, on the purchase date. If the Registered Owner of any Note (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Note to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such Note (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Note (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.01(c)(iv) above. Any Registered Owner who fails to deliver such Note for purchase shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said Note to the Paying Agent. The Paying Agent shall, as to any tendered Notes which have not been delivered to it, (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Notes registered in the name of such Registered Owner(s) on the Registration Books. The Paying Agent shall place such stop(s) commencing with the lowest serial number Note registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Notes until the appropriate tendered Notes are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the Registration Books.

(vii) Tendered Notes to be Held in Trust. The Paying Agent shall hold all Notes delivered to it hereunder in trust solely for the benefit of the respective Registered Owner(s) which have so delivered such Notes until money representing the entire purchase price of such Notes shall have been delivered to or for the account of or to the order of such Registered Owner(s) and thereafter, in the case of Notes registered to the Liquidity Provider or the

Permanent University Fund pursuant to Section 4.01(c)(iv) above, for the benefit of the Liquidity Provider or the Permanent University Fund, as Registered Owner of such Notes, until disposed of pursuant to instructions from the Liquidity Provider or an Authorized Representative, as appropriate. It is recognized and agreed by the Paying Agent that while the Paying Agent holds Notes registered to the Liquidity Provider or the Permanent University Fund pursuant to Section 4.01(c)(iv) above, such Notes are held by the Paying Agent in trust as the agent and for the benefit of the Liquidity Provider or the Permanent University Fund, as Registered Owner of such Notes.

Section 4.02. Mandatory Tender.

(a) Upon Expiration of Credit Agreement. (i) The Notes shall be subject to mandatory purchase upon the expiration or termination of the Credit Agreement, subject to the right of the Registered Owner to retain his Note, which purchase shall occur:

(A) on the last Business Day prior to the termination or expiration of the Credit Agreement, provided that no such tender and purchase shall be required if the Credit Agreement is renewed prior to the date of notice to Registered Owner pursuant to Section 4.02(a)(ii) below; or

(B) on the last Business Day prior to the substitution of a new Credit Agreement, for such Notes, provided that no such tender and purchase shall be required if prior to the date of notice to the Registered Owner pursuant to Section 4.02(a)(ii) below, the Remarketing Agent and the Paying Agent shall have received written confirmation from Standard & Poor's, Moody's and Fitch to the effect that the rating or ratings, if any, assigned by such Rating Agency to the Notes will not be lowered, withdrawn or suspended as a result of the expiration or substitution.

(ii) Not later than thirty (30) days prior to the purchase date, the Paying Agent shall mail a written notice of the purchase to the Holders of all Notes subject to purchase, which notice shall specify (A) the purchase date, (B) the event requiring the purchase pursuant to Section 4.02(a)(i) above, and (C) state whether any ratings assigned by Standard & Poor's, Moody's or Fitch have been lowered, withdrawn or suspended as a result of the expiration or substitution of the Credit Agreement.

(iii) The Holders of any Notes may elect to retain their Notes notwithstanding a mandatory tender pursuant to this Section by delivering to the Paying Agent at its designated corporate trust office not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than fifteen (15) days prior to the mandatory tender date a written notice of such election. Such written notice shall:

(A) state that the person delivering the same is a Registered Owner (specifying the numbers and denominations of the Notes of such Registered Owner);

(B) state that the Registered Owner is aware of the fact that after the Credit Agreement termination or expiration date, the Credit Agreement will no longer be in effect;

(C) state that the Registered Owner is aware of the status of any ratings which had been assigned to the Notes by Standard & Poor's, Moody's or Fitch prior to the expiration or substitution of the Credit Agreement;

(D) direct the Paying Agent not to purchase the Notes of such Holders; and

(E) be irrevocable and binding upon the Holder delivering such notice and all subsequent Holders of the Notes to be retained, including Notes issued in exchange therefor or upon transfer thereof.

(iv) At or before 4:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of election to retain Notes may be delivered to the Paying Agent pursuant to this Section, the Paying Agent shall notify an Authorized Representative and the Liquidity Provider by telephone or Electronic Means of the principal amount of Notes to be tendered for purchase on the mandatory tender date. At or before 12:30 p.m., New York City time, on the mandatory tender date, the Paying Agent shall draw on the Credit Agreement an amount equal to the principal amount plus the accrued and unpaid interest to the mandatory tender date on all Notes required to be tendered for purchase on such date, such amount to be delivered in immediately available funds and deposited upon receipt in the Series A Note Payment Account. If sufficient amounts for payment of the unpaid purchase price of all such Notes shall not have been deposited in the Series A Note Payment Account by 2:45 p.m., New York City time, on the mandatory tender date, the Paying Agent shall immediately notify the Authorized Representative of any deficiency, whereupon the Board shall, to the extent permitted by applicable law, purchase such Notes as investments for the Permanent University Fund by delivering to the Paying Agent from the Permanent University Fund prior to 3:00 p.m., New York City time, on the mandatory tender date immediately available funds in an amount at least equal to such deficiency, such amount to be deposited upon receipt in the Series A Note Payment Account. All monies so received by the Paying Agent and deposited in the Series A Note Payment Account shall be applied to pay the purchase price of Notes tendered for purchase on the mandatory tender date in the manner provided for in Section 4.01(c). The Paying Agent shall register and deliver (or hold) Notes purchased on the mandatory tender date in accordance with Section 4.01(c)(iv). The Remarketing Agent shall, to the extent requested by the Liquidity Provider or an Authorized Representative, as appropriate, offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider or the Permanent University Fund. The provisions of Sections 4.01(c)(vi) and (vii) shall apply to Notes tendered for purchase on the mandatory tender date.

(b) Upon "Event of Default" Under Credit Agreement. Upon the written direction of the Liquidity Provider to the Paying Agent of the occurrence of an "event of default" under the Credit Agreement and its election to cause a mandatory purchase of the Notes, the Paying Agent will send a written notice to the Holders of the Notes (the form of which shall be provided by the Liquidity

Provider), the Board, and the Liquidity Provider, by United States mail, first-class postage prepaid, that (i) the purchase of all of the Notes will occur on the Business Day specified by the Liquidity Provider that is not more than five (5) Business Days after the date of receipt by the Paying Agent of the written direction sent by the Liquidity Provider (the "Liquidity Purchase Date") and (ii) the Holders of the Notes shall have no right to retain their Notes after such date. On the Liquidity Purchase Date, all Notes shall be tendered by the Holders thereof to the Paying Agent for purchase at a purchase price equal to the principal amount thereof plus accrued interest, if any. At or before 12:30 p.m., New York City time, on the Liquidity Purchase Date, the Paying Agent shall draw on the Credit Agreement an amount equal to the principal amount plus the accrued and unpaid interest to the Liquidity Purchase Date on all outstanding Notes, such amount to be delivered in immediately available funds pursuant to the Credit Agreement and deposited upon receipt in the Series A Note Payment Account. If sufficient amounts for payment of the unpaid purchase price of all outstanding Notes shall not have been deposited in the Series A Note Payment Account by 2:45 p.m., New York City time, on the Liquidity Purchase Date, the Paying Agent shall immediately notify the Authorized Representative of any deficiency, whereupon the Board shall, to the extent permitted by applicable law, deliver to the Paying Agent from the Permanent University Fund prior to 3:00 p.m., New York City time, on the Liquidity Purchase Date immediately available funds in an amount at least equal to such deficiency, such amount to be deposited upon receipt in the Series A Note Payment Account. All monies so received by the Paying Agent and deposited in the Series A Note Payment Account shall be applied to pay the purchase price of outstanding Notes in the manner provided for in Section 4.01(c). The Paying Agent shall register and deliver (or hold) Notes purchased on the Liquidity Purchase Date in accordance with Section 4.01(c)(iv). The Remarketing Agent shall, to the extent requested by the Liquidity Provider or an Authorized Representative, as appropriate, offer for sale and use its best efforts to sell such Notes registered to the Liquidity Provider or the Permanent University Fund. The provisions of Sections 4.01(c)(vi) and (vii) shall apply to Notes tendered for purchase on the Liquidity Purchase Date.

Section 4.03. Inadequate Funds for Tenders. If the funds available for purchases of Notes pursuant to this Article IV are inadequate for the purchase of all Notes tendered on any purchase date, the Paying Agent shall, after any applicable grace period: (i) return all tendered Notes to the Holders thereof; (ii) return all moneys received for the purchase of such Notes to the persons providing such moneys; and (iii) notify an Authorized Representative of the return of such Notes and moneys and the failure to make payment for tendered Notes.

Section 4.04. Mandatory Tender at End of Initial Flexible Rate Period. Notwithstanding any provision of this Resolution to the contrary, the Notes initially issued hereunder shall be subject to mandatory tender, without right of retention by the Registered Owner at the end of the initial Flexible Rate Period.

ARTICLE V

ISSUE AND SALE OF NOTES

Section 5.01. Issuance and Sale of Notes.

(a) Except as provided in Section 5.01(b), all Notes issued to provide funds to pay Project Costs shall be sold through competitive bidding as required by the Constitutional Provision. In connection with sales of Notes to provide funds to pay Project Costs (specifically excluding Notes described in Section 5.01(b)), an Authorized Representative shall prepare a Notice to Bidders and Bidding Instructions with respect thereto.

(b) All Notes sold to refund Notes and Prior Notes are hereby deemed to be "refunding bonds" within the meaning of the Constitutional Provision and therefore may be sold in the manner determined by an Authorized Representative to be most economically advantageous to the Board.

(c) The Notes shall be completed and delivered by the Issuing and Paying Agent in accordance with telephonic, computer or written instructions of any Authorized Representative and in the manner specified in the Issuing and Paying Agent Agreement and below. To the extent such instructions are not written, they shall be confirmed in writing within 24 hours. Said instructions shall specify such principal amounts, dates of issue, maturities, rates of discount or interest, and other terms and conditions which are hereby authorized and permitted to be fixed by any Authorized Representative at the time of sale of the Notes. Such instructions shall include the purchase price of the Notes, and a request that the Issuing and Paying Agent deliver them to the named purchaser or purchasers thereof upon receipt of payment in accordance with the custom then prevailing in the New York financial market in regard to obligations such as the Notes. Such instructions shall also specify the amounts of the proceeds of such issue of Notes which are to be deposited to the Series A Note Payment Fund and to be transferred to the Series A Note Construction Fund; provided, however, that to the extent proceeds of Notes are to be used to refund or refinance Prior Notes, such instructions shall so specify. Such instructions shall also contain provisions representing that all action on the part of the Board necessary for the valid issuance of the Notes then to be issued has been taken, that all provisions of State and federal law necessary for the valid issuance of such Notes with provision for original issue discount and interest exemption from federal income taxation have been complied with, and that such Notes in the hands of the Holders thereof will be valid and enforceable special obligations of the Board according to their terms, subject to the exercise of judicial discretion in accordance with general principles of equity and bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that, based upon the advice of Bond Counsel, the earned original issue discount on the Notes or stated interest on the Notes, as the case may be, is excludable from gross income for purposes of federal income taxation. Such instructions shall also certify that:

(i) if the Notes are being issued to pay Project Costs, (A) the bidding requirements set forth in this Resolution have been satisfied and (B) attached to such instructions is (1) a No-Arbitrage Certificate (as described in Section 6.06), (2) a written opinion of Bond Counsel to the effect that such issuance will not adversely affect the exclusion from gross income of interest on the Notes for federal income tax purposes (subject to the inclusion of any exceptions or qualifications contained in the opinion of Bond Counsel delivered upon initial issuance of any Notes hereunder), (3) a written opinion of the general counsel of the System that the Notes are being issued to pay Project Costs for Eligible Projects and (4) a written certificate signed by an Authorized Representative listing the Eligible Projects expected to be financed, in whole or in part, by the Notes and certifying that each of such Eligible Projects has been approved by the Higher Education Coordinating Board (or is otherwise exempt from the requirement of such

approval); provided, however, that at some future date, the Board may substitute other Eligible Projects (the "Substituted Projects") to be financed, in whole or in part, by the Notes for the Eligible Projects listed on such certificate so long as each of such Substituted Projects has been approved by the Higher Education Coordinating Board (or is otherwise exempt from the requirement of such approval);

(ii) no Event of Default under Section 7.01 has occurred and is continuing as of the date of such Certificate;

(iii) the Board is in compliance with the covenants set forth in Section 2.11 and Article VI as of the date of such instructions;

(iv) that the aggregate principal amount of Fund Priority Obligations, Notes (including the principal amount of the Notes to be sold pursuant to such instructions), Short Term Obligations and other obligations of the Board issued under the Constitutional Provision does not exceed a total amount of twenty percent (20%) of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) as of the time of the sale of the Notes; and

(v) that, based upon the projected monies to be deposited into the Interest and Sinking Fund from the Interest of the System in the Available University Fund, the payment of the interest on and/or principal of any Note from monies on deposit in the Interest and Sinking Fund by the Board will not impair the obligation of the Board to pay the principal of and/or interest on any Fund Priority Obligation as the same matures and comes due.

Section 5.02. Proceeds of Sale of Notes.

(a) Except as provided in Section 5.02(b) below, the proceeds of the sale of any Notes pursuant to this Article (net of all expenses and costs of sale and issuance) shall be deposited into Series A Note Payment Fund, and shall be applied for any or all of the following purposes as directed by an Authorized Representative:

(i) proceeds to be used for the payment and redemption or purchase of outstanding Notes at or before maturity shall be expended therefor; and

(ii) proceeds not to be retained in the Series A Note Payment Fund as provided in Section 5.02(i) above shall be transferred to the Series A Note Construction Fund and used and applied in accordance with the provisions of Section 2.12.

(b) To the extent that the Notes are being issued to refund or refinance Prior Notes, the proceeds of the sale of such Notes (net of all expenses and costs of sale and issuance) shall, to the extent required, be paid to the paying agent for such Prior Notes in an amount sufficient to accomplish the discharge and final payment of such Prior Notes. The Board hereby directs that the initial Notes issued hereunder shall be issued in an amount sufficient at least to refund or refinance all Prior Notes outstanding on the date of issuance of such initial Notes. The Authorized Representative, acting for and on behalf of the Board, shall sign and otherwise execute and deliver

such notices, instructions, certificates, instruments, and other documents as may be necessary or convenient to accomplish the refunding or refinancing of the Prior Notes as set forth above and in accordance with their terms. It is hereby found and determined that the refunding or refinancing of the Prior Notes is advisable and necessary in order to restructure the interim financing program established by this Resolution.

Section 5.03. Issuing and Paying Agent Agreement. The Issuing and Paying Agent Agreement by and between the Board and Bankers Trust Company, New York, New York, effective August 23, 1994, was heretofore executed and delivered by the Board. An Authorized Representative is hereby authorized and directed to approve, execute and deliver to the Issuing and Paying Agent any such changes, additions, or amendments thereto as may be necessary and proper to confirm that such agreement relates to the Notes and to carry out the Board's purpose and intent in adopting this Resolution. An Authorized Representative is hereby authorized to enter into any supplemental agreement and any other documents called for thereunder with the Issuing and Paying Agent.

Section 5.04. Remarketing Agreement; Remarketing Agent. The Remarketing Agreement, substantially in the form of the amended and restated remarketing agreement presented to the Board on the date of this Resolution, is hereby approved, and shall be entered into with the Remarketing Agent. An Authorized Representative is hereby authorized to execute and deliver the Remarketing Agreement and any other documents called for thereunder. At all times where there are outstanding Notes, the Board covenants to maintain a Remarketing Agent. Should the Remarketing Agent resign or be removed, such resignation or removal shall not be effective until a successor Remarketing Agent has been appointed by the Board and such appointment has been accepted.

ARTICLE VI

COVENANTS OF THE BOARD

Section 6.01. Limitation on Issuance. Unless this Resolution is amended and modified by the Board in accordance with the provisions of Section 8.01 hereof, the Board covenants that there will not be issued and outstanding at any time more than \$250,000,000 in principal amount of Notes. The Board, however, does reserve the right to issue additional notes in excess of said amount by resolution duly adopted by the Board. For purposes of this Section 6.01 any portion of outstanding Notes to be paid on the day of calculation from moneys on deposit in the Series A Note Payment Fund and the proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligations of the Board issued pursuant to the Constitutional Provision shall not be considered outstanding.

Additionally, the Board covenants and agrees that the total principal amount of all Notes (other than Purchased Notes) outstanding at any one time and the total amount of interest accrued or to accrue thereon in the succeeding 275 days following such date of calculation shall not exceed the sum total of the "Available Commitment" (as defined in the Agreement).

Section 6.02. General Covenant. The Board covenants and agrees that while the currently outstanding Permanent University Fund Obligations are outstanding, the Board will maintain and invest and keep invested the Permanent University Fund in accordance with the standards established by Section 11b of Article VII of the State Constitution.

Section 6.03. Payment of Fund Priority Obligations and Notes. The Board hereby covenants and reaffirms to the holders or owners of any Fund Priority Obligations that the payment from time to time of the interest on and/or principal of the Notes shall not impair the ability or the obligation of the Board to pay the principal of and/or interest on any Fund Priority Obligations, and that the Board further covenants (i) that it shall establish appropriate procedures with the Comptroller with respect to deposits into the Series A Note Payment Fund and the Special System Account, and (ii) that such procedures shall not impair the ability of the Board to pay the principal of and/or interest on the Fund Priority Obligations.

Section 6.04. Maintenance of Available Credit Agreement Requirement.

(a) The Board agrees and covenants that at all times while there are outstanding Notes it will maintain one or more Credit Agreements in amounts such that, assuming that all then outstanding Notes were to be tendered for purchase, the amount available to be drawn under the Credit Agreements would be sufficient at that time to pay the purchase price therefor at an amount equal to the principal of all such Notes, and interest thereon for 275 days computed at the rate of fifteen percent (15%) per annum. No Notes shall be issued which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Notes covered by the Credit Agreement, the aggregate principal amount of all Notes and interest thereon covered by the Credit Agreement would exceed the amount of the liquidity commitment under the Credit Agreements. The availability for draws under the Credit Agreements may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board. In furtherance of the foregoing covenant, the Board agrees that it will not issue any Notes or make any borrowings which will result in a violation of such covenant, will not amend the Credit Agreement in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, and will arrange for new Credit Agreements prior to, or contemporaneously with, the expiration of the Credit Agreement.

(b) A Credit Agreement may be in the form of a standby purchase agreement, letter of credit, line of credit or similar liquidity agreement. In addition, at the option of the Board, a Credit Agreement may be in the form of a resolution of the Board covenanting to use lawfully available funds to purchase Notes tendered for purchase and reciting that such resolution constitutes a "Credit Agreement" for purposes of this Resolution.

(c) (i) An alternate Credit Agreement may be provided in substitution for such Credit Agreement then in effect or to confirm such Credit Agreement then in effect, or an extension or amendment thereof, only upon receipt of (A) a written notice from each of Standard & Poor's, Moody's and Fitch, to the extent such firms are then rating the Notes, stating that as of the effective date of such alternate Credit Agreement, its ratings on the Notes will not be

lowered, withdrawn or suspended from the then current short-term rating as a result of the action proposed to be taken, and (B) opinions of legal counsel acceptable to Standard & Poor's, Moody's, Fitch and such Paying Agent, to the extent such firms are then rating the Notes, stating that (i) such Credit Agreement, extension, or amendment was issued in accordance with the conditions of this Section, (ii) such Credit Agreement, as extended or amended, constitutes a legal, valid, and binding obligation of such Liquidity Provider and is enforceable in accordance with its terms (except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, or other laws for the relief of debtors other than the Board and by general principles of equity which permit the exercise of judicial discretion), (iii) the substitution of such alternate Credit Agreement or such Credit Agreement then in effect or the acceptance of such extension or amendment, as the case may be, will not adversely affect the status for the purposes of federal income taxation of interest on any Notes, and (iv) no registration of such Notes under the Securities Act of 1933, as amended, or qualification of this Resolution under the Trust Indenture Act of 1939, as amended, will be required in connection with the issuance and delivery of such alternate Credit Agreement or the remarketing of such Notes with the benefits thereof.

(ii) If the short-term rating of the Notes shall at any time be less than A-1 by any of Standard & Poor's, Moody's or Fitch, to the extent such firm is then rating the Notes, or the equivalent of such short-term ratings, the Board shall, if permitted under the terms of the Credit Agreement, proceed with substitution or termination, as the case may be, of such Credit Agreement in accordance with its terms and the terms of this Resolution.

(iii) The release of a Liquidity Provider from all or some of its obligations under a Credit Agreement and the substitution of one or more new Liquidity Provider(s) that assume(s) the released obligations of such Liquidity Provider shall constitute the provision of an alternate Credit Agreement for all purposes of this Resolution, including, without limitation, Section 4.02(a)(ii).

(d) The Agreement presently satisfies the covenant contained in Section 6.04(a) above with respect to the issuance of up to \$250,000,000 in aggregate principal amount at any one time outstanding of Notes.

Section 6.05. Available Funds. To the extent Notes cannot be issued to renew or refund outstanding Notes, the Board in good faith shall endeavor to sell a sufficient principal amount of Fund Priority Obligations, Short Term Obligations, or other obligations of the Board under the Constitutional Provision in order to have funds available, together with other moneys available therefor, to pay the Notes and the interest thereon, or any renewals thereof, as the same shall become due, and other amounts due under the Agreement.

Section 6.06. Federal Income Tax Exclusion.

(a) General. The Board intends that the interest on the Notes shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and the applicable Income Tax Regulations (the "Regulations"). The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Notes to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Board covenants and agrees to comply with each requirement of this Section 6.06; provided, however, that the Board shall not be required to comply with any particular requirement of this Section 6.06 if the Board has received an opinion of Bond Counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Notes or if the Board has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Section 6.06 will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Section 6.06.

(b) No Private Use or Payment and No Private Loan Financing. The Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, that the proceeds of the Notes will not be used, in a manner that would cause the Notes to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Notes including interest or other investment income derived from Note proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Notes will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

(c) No Federal Guarantee. The Board covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be "federally guaranteed" within the meaning of section 149(b) of the Code and the applicable Regulations thereunder, except as permitted by section 149(b)(3) of the Code and such Regulations.

(d) Notes are not Hedge Bonds. The Board covenants and agrees that it has not and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Notes to be "hedge bonds" within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

(e) No-Arbitrage. The Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Notes are delivered, the Board will reasonably expect that the proceeds of the Notes will not be used in a manner that would cause the Notes to be "arbitrage bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Notes including interest or other investment income derived from Note proceeds, regulate investments of proceeds of the Notes, and take such other and further action as may be required so that the Notes will not be "arbitrage

bonds" within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

(f) Arbitrage Rebate. If the Board does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, the Board will take all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the "gross proceeds" of the Notes (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Notes as may be required to calculate the amount earned on the investment of the gross proceeds of the Notes separately from records of amounts on deposit in the funds and accounts of the Board allocable to other bond issues of the Board or moneys which do not represent gross proceeds of any bonds of the Board, (ii) calculate at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Notes which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Notes or on such other dates as may be permitted under applicable Regulations, all amounts required to be rebated to the federal government. Further, the Board will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Notes that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

(g) Information Reporting. The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Notes are issued, an information statement concerning the Notes, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

(h) Continuing Obligation. Notwithstanding any other provision of this Resolution, the Board's obligations under the covenants and provisions of this Section 6.06 shall survive the defeasance and discharge of the Notes.

Section 6.07. Supplemental Resolutions. Other than as permitted in Section 6.10 with respect to the issuance of additional obligations of the Board secured by the Interest of the System in the Available University Fund, the Board will not adopt any supplemental resolutions, pursuant to this Resolution or otherwise, without, to the extent required by the Agreement, the consent of the Liquidity Provider or which would materially adversely affect the ability of the Board to make payments on the Notes when due.

Section 6.08. Opinions of Attorney General and Bond Counsel. The Board shall not issue any Notes hereunder unless such Notes 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 in accordance with applicable law. The Board shall cause the legal opinion of Bond Counsel as to the validity of the Notes and as to the exemption of interest on the Notes from federal income taxation to be furnished to any Holder without cost.

Section 6.09. Compliance With Bond Resolution and Other Documents. The Board will comply with the terms and provisions of the Bond Resolution, and any other resolution or contract to which the Board is a party, the non-compliance with which would materially adversely affect the ability of the Board to make payments on the Notes when due.

Section 6.10. Reservation of Right to Issue Obligations of Superior Lien, Obligations of Inferior Lien and Short Term Obligations. The Board hereby expressly reserves the right to hereafter issue obligations payable from and secured by a lien on and pledge of the Interest of the System in the Available University Fund prior in right and claim to the lien on and pledge of the Interest of the System in the Available University Fund covering the payment of the Notes. Furthermore, the Board expressly reserves the right to hereafter issue additional Notes or Short Term Obligations when and as the Board shall determine and authorize without any limitation as to principal amount or otherwise, which additional Notes or Short Term Obligations may be equally and ratably payable from and secured by a lien on and pledge of the Interest of the System in the Available University Fund of equal rank and dignity with the lien and pledge securing the payment of the Notes and may or may not be secured by the Agreement. The Board also retains the right to issue obligations or other evidences of indebtedness or to incur contractual obligations secured by a lien on and pledge of the Interest of the System in the Available University Fund junior and subordinate to the lien and pledge securing the Notes. Notwithstanding any of the above to the contrary, the Board covenants that (i) the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, (ii) the Board will, subject to the provisions hereof, continuously preserve the Fund and each and every part thereof, and (iii) the Board will not issue any obligations or other evidences of indebtedness or incur any contractual obligations payable from or secured by a lien on and pledge of the Interest of the System in the Available University Fund unless it has obtained the prior written consent of the Liquidity Provider to the extent such consent is required by the applicable Credit Agreement.

Section 6.11. No Amendments to Transaction Documents Without Consent of Liquidity Provider. The Board will not amend or modify any provision of, or give any consent to or waiver under, this Resolution, any Credit Agreement, the Issuing and Paying Agent Agreement or the Remarketing Agreement unless it has obtained the prior written consent of the Liquidity Provider to the extent such consent is required by the applicable Credit Agreement.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 7.01. Events of Default. Any one or more of the following events shall constitute an "Event of Default" hereunder, to-wit:

- (i) if default shall be made in the due and punctual payment of any installment of principal of any Note when and as the same shall become due and payable, whether at stated maturity as therein expressed, by declaration or otherwise;

(ii) if the Board shall fail to make due and punctual payment of any installment of interest on any Note when and as such interest installment shall become due and payable and such failure shall continue for five (5) Business Days;

(iii) if an "Event of Default" under the Agreement occurs;

(iv) if default shall be made by the Board in the performance or observance of any other of the covenants, agreements or conditions on its part in this Resolution or in the Notes contained, and such default shall continue for a period of sixty (60) days after written notice thereof to the Board by the Holders of not less than ten percent (10%) in principal amounts of the Notes then outstanding; or

(v) if default shall be made in the due and punctual payment of a Note upon tender for payment pursuant to the demand payment provisions thereof.

Section 7.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of any Note at the time outstanding shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Resolution, or in aid of the exercise of any power granted in this Resolution, or to enforce any other legal or equitable right vested in the Holders by this Resolution or the Notes or by law. The provisions of this Resolution shall be a contract with each and every Holder and the duties of the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 7.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Amendments or Modifications Without Consent of Holders. This Resolution and the rights and obligations of the Board and of the Holders may be modified or amended at any time by a supplemental resolution, without notice to or the consent of any Holders, but only to the extent permitted by law, and, subject to the rights of the Holders, only for any one or more of the following purposes:

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

(ii) to cure any ambiguity, or to cure or correct any defective provision contained in the Resolution, upon receipt by the Board of an approving opinion of Bond Counsel, that the same is needed for such purpose, and will more clearly express the intent of the Resolution;

(iii) to supplement the security for the Notes, replace or provide additional Credit Agreements, or change the form of the Notes or make such other changes in the provisions hereof as the Board may deem necessary or desirable and which shall not materially adversely affect the interests of the Noteholders; or

(iv) to make any changes or amendments requested by Standard & Poor's, Moody's, or Fitch 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 Holders;

provided, however, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or in the Notes so as to:

- (1) Make any change in the stated maturity of any of the outstanding Notes;
- (2) Reduce the rate of interest borne by any of the outstanding Notes;
- (3) Reduce the amount of the principal payable on any of the outstanding Notes;
- (4) Modify the terms of payment of principal of or interest on the outstanding Notes, or impose any conditions with respect to such payment;
- (5) Affect the rights of the Holders of less than all of the outstanding Notes; and
- (6) Reduce or restrict the pledge made herein (Section 2.10) for payment of the Notes;

and provided, further, that, except as provided in Section 8.02 hereof, no change, modification or amendment shall be made in the Resolution or become valid and effective without the approval of such change, modification or amendment by the Attorney General of the State of Texas if, in the opinion of Bond Counsel, such approval is required by the Constitutional Provision and the Acts and, to the extent required by the Agreement, without the consent of the Liquidity Provider.

Section 8.02. Additional Actions. The Chairman of the Board, the Executive Secretary of the Board, the Authorized Representatives and the other officers of the Board are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the issuance, sale, and delivery of the Notes and otherwise to effectuate the purposes of this Resolution, the Agreement, the Remarketing Agreement, the Trust Agreement, and the Issuing and Paying Agent Agreement.

Section 8.03. Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract

between the Board and the Holders from time to time of the Notes and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution 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 Notes 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 Resolution. The Liquidity Provider is a third-party beneficiary of this Resolution.

Section 8.04. 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 Notes issued hereunder.

Section 8.05. Payment and Performance on Business Days. Except as provided to the contrary in the Form of Notes or in Article III and IV, whenever under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, 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 8.06. Defeasance. If, when all or any portion of the Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, the entire principal and interest so due and payable upon said Notes shall be paid, or if at or prior to the date said Notes have become due and payable, (i) sufficient moneys or Defeasance Obligations the principal of and interest on which will provide sufficient moneys for such payment upon maturity, to the date upon which the Notes have been called for redemption or to a mandatory tender date (after taking into account any demand payment provisions), shall be held by the Issuing and Paying Agent, (ii) provision shall also be made for paying all other sums payable hereunder by the Board with respect to said Notes, and (iii) written notice shall have been received from each of Standard & Poor's, Moody's and Fitch, to the extent such firms are then rating the Notes, stating that its rating on the Notes will not be lowered, withdrawn or suspended as a result of the action proposed to be taken, the rights, title and interest of the Holders of the Notes in the Interest of the System in the Available University Fund shall thereupon cease, terminate and become discharged and said Notes shall no longer be deemed outstanding for purposes of this Resolution and all the provisions of this Resolution, including all covenants, agreements, liens and pledges made herein, shall be deemed duly discharged, satisfied and released.

Section 8.07. Limitation of Benefits With Respect to the Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement, any legal or equitable right, remedy or claim

under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution 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 Noteholders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement as herein and therein provided.

Section 8.08. Approval of Attorney General and Registration by the Comptroller. No Notes herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State shall have approved this Resolution, the Agreement, and other agreements and proceedings as may be required in connection therewith and the Comptroller has registered the record of proceedings relating to the issuance of the Notes, all as is required by the Constitutional Provision and the Acts.

Section 8.09. Approval of Official Statement. An Authorized Representative is hereby authorized to approve the form of Official Statement, to be used by the Dealer in the offering of the Notes, and the use thereof by the Dealer in connection therewith.

Section 8.10. Notices.

(a) **To Liquidity Provider.** The Board shall provide or cause to be provided to the Liquidity Provider copies of such notices given or received under this Resolution as required by the Credit Agreement.

(b) **To Rating Agencies.** The Board shall provide notice of the following to Standard & Poor's, Moody's and Fitch, to the extent such firm is then a Rating Agency:

- (i) any proposed change to the Resolution or a Credit Agreement;
- (ii) any change of Paying Agent or Remarketing Agent;
- (iii) any extension, termination, substitution or expiration of a Credit Agreement; and
- (iv) any tender or redemption of all outstanding Notes.

Such notice shall be given by United States mail at the addresses set forth below unless written notice designating a different address is given to the Board:

If to Fitch: Fitch IBCA
 One State Street
 33rd Floor
 New York, New York 10004
 Attention: Structured Finance Group

If to Moody's: Moody's Investors Service, Inc.

99 Church Street
New York, New York 10007
Attention: Public Finance Department
Rating Desk/VRDO

If to Standard & Poor's: Standards & Poor's Ratings Group
55 Water Street
New York, New York 10041
Attention: Structured Finance Group

Section 8.11. References to Liquidity Provider. Any provision of this Resolution regarding the consent of, or notice to, or mandating the direction of action by, a Liquidity Provider shall, except as expressly provided, be deemed ineffective if (i) the Credit Agreement executed by such Liquidity Provider thereby is no longer in effect and no amount is due and owing under such Credit Agreement or (ii) such Liquidity Provider has failed to honor a proper draw under such Credit Agreement; provided, that, for as long as any Note is registered to the Liquidity Provider as a result of a draw on the Credit Agreement, such Liquidity Provider shall be afforded all the rights and privileges granted hereunder to owners of Notes.

Section 8.12. Repeal of Resolution Authorizing Prior Notes. Following the issuance of the initial Notes hereunder, the Board covenants and agrees that it will not issue any additional Prior Notes. Upon the discharge and final payment in full of all Prior Notes pursuant to Section 5.02(b), the Board hereby repeals in full the resolution pursuant to which the Prior Notes were issued.

PASSED AND ADOPTED, this the 11th day of May, 2000.

ATTEST:

Executive Secretary

Chairman

(Seal)

4. U. T. System: Recommended Approval of Appointment of Plan Administrator and Carrier for the Dental Program to be Effective September 1, 2000

RECOMMENDATION

Issues related to the appointment of a plan administrator and carrier for the U. T. System Dental Program to be effective September 1, 2000, are still being negotiated. It is anticipated that a recommendation will be available in advance of the May 2000 meeting of the U. T. Board of Regents.

5. U. T. System: Recommended Monthly Premiums for the Medical, Dental and Vision Plans and the Health Maintenance Organizations (HMOs) to be Effective September 1, 2000

RECOMMENDATION

Employee monthly premium rates for the U. T. System self-funded medical and dental plans and fully-funded vision plan and health maintenance organizations (HMOs) to be effective September 1, 2000, are still being negotiated. It is anticipated that rates will be available for recommendation prior to the May 2000 meeting of the U. T. Board of Regents.

BUSINESS AFFAIRS AND AUDIT COMMITTEE

SUPPLEMENTAL MATERIAL

MAY 11, 2000

4. U. T. System: Recommended Approval of Appointment of Plan Administrator and Carrier for the Dental Program to be Effective September 1, 2000

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the appointment of an indemnity dental plan administrator and a fully-insured dental maintenance organization (DMO) to serve employees and retirees of the U. T. System to be effective September 1, 2000, as follows:

- a. Delta Dental, Irving, Texas, as administrator of a self-funded indemnity plan to serve employees and retirees of the U. T. System
- b. United Dental Care of Texas, Inc., A Protective Life Company, Birmingham, Alabama, as a fully-insured DMO to serve employees and retirees in the Austin, Dallas, El Paso, Galveston, Houston, and San Antonio areas.

See Item 5 on Page 93c of the Supplemental Material relating to the recommended group dental monthly premium rates.

BACKGROUND INFORMATION

On March 13, 2000, the U. T. System Employee Group Insurance Office issued a Request for Proposals (RFP) for a self-funded and/or fully-insured dental plan to serve the employees and retirees of the U. T. System. A total of 13 responses to the RFP were received on April 11, 2000, from the following organizations:

Aetna US HealthCare, Hartford, Connecticut
AmeriPlan USA Corp., Dallas, Texas
Benefit Planners, Boerne, Texas
CIGNA HealthCare, Broomfield, Connecticut
Comp Dent Corp., Roswell, Georgia
Delta Dental, Irving, Texas
Dental Select, Draper, Utah
Humana, Green Bay, Wisconsin
MetLife, New York, New York
Safe Guard Health Plans, Aliso Viejo, California
UNICARE, Woodland Hills, California
United Concordia Companies, Inc., Harrisburg, Pennsylvania
United Dental Care of Texas, Inc., A Protective Life Company,
Birmingham, Alabama

After review of the responses and based upon analyses by the Employee Group Insurance Office (EGI), the Director of EGI recommended to the Executive Vice Chancellor for Business Affairs that the contracts be awarded to Delta Dental, Irving, Texas, and United Dental Care of Texas, Inc., A Protective Life Company, Birmingham, Alabama. This recommendation is based upon the records of Delta Dental and United Dental Care for good customer service as providers of the current dental plans, lower cost, and ability to meet the needs of the U. T. System.

BUSINESS AFFAIRS AND AUDIT COMMITTEE

SUPPLEMENTAL MATERIAL

MAY 11, 2000

5. U. T. System: Recommended Monthly Premiums for Medical, Dental, and Vision Plans and Health Maintenance Organizations (HMOs) to be Effective September 1, 2000

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the monthly premiums as shown in the following tables for the U. T. System self-funded medical, dental, and vision plans and health maintenance organizations (HMOs) to be effective September 1, 2000.

SELF-FUNDED MEDICAL PLAN MONTHLY PREMIUM RATES		
	CIGNA UT SELECT PLAN	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$221.09	\$202.61
Subscriber and Spouse	\$433.34	\$397.28
Subscriber and Child(ren)	\$395.75	\$361.69
Subscriber and Family	\$601.36	\$551.91

SELF-FUNDED POINT-OF-SERVICE PLANS MONTHLY PREMIUM RATES				
	TEXAS UNIVERSITIES HEALTH PLAN (TUHP) POINT-OF-SERVICE HOUSTON/GALVESTON		TEXAS UNIVERSITIES HEALTH PLAN (TUHP) POINT-OF-SERVICE DALLAS	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$234.36	\$202.61	\$233.25	\$202.61
Subscriber and Spouse	\$459.35	\$383.51	\$457.17	\$374.77
Subscriber and Child(ren)	\$419.50	\$357.54	\$417.52	\$339.12
Subscriber and Family	\$637.46	\$541.85	\$634.44	\$519.29

SELF-FUNDED POINT-OF-SERVICE PLANS MONTHLY PREMIUM RATES						
	UNITED HEALTHCARE POINT-OF-SERVICE AUSTIN		UNITED HEALTHCARE POINT-OF-SERVICE SAN ANTONIO		TEXAS UNIVERSITIES HEALTH PLAN (TUHP) POINT-OF-SERVICE SAN ANTONIO	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$221.09	\$200.71	\$221.09	\$200.71	\$221.09	\$202.04
Subscriber and Spouse	\$430.00	\$334.19	\$430.00	\$334.19	\$425.33	\$356.71
Subscriber and Child(ren)	\$390.00	\$286.41	\$390.00	\$286.41	\$387.67	\$296.21
Subscriber and Family	\$585.00	\$426.08	\$585.00	\$426.08	\$567.24	\$487.19

FULLY-INSURED HMO MONTHLY PREMIUM RATES		
	HUMANA HMO AUSTIN	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$216.84	\$176.01
Subscriber and Spouse	\$433.70	\$352.03
Subscriber and Child(ren)	\$390.32	\$316.82
Subscriber and Family	\$596.34	\$484.04

FULLY-INSURED HMO MONTHLY PREMIUM RATES						
	PRUDENTIAL HMO AUSTIN		PRUDENTIAL HMO EL PASO		PRUDENTIAL HMO SAN ANTONIO	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$219.64	\$190.00	\$221.09	\$190.98	\$192.85	\$175.16
Subscriber and Spouse	\$436.71	\$377.78	\$434.08	\$361.03	\$362.81	\$329.53
Subscriber and Child(ren)	\$394.13	\$340.94	\$405.09	\$336.64	\$327.44	\$297.40
Subscriber and Family	\$574.00	\$496.54	\$611.15	\$509.98	\$476.88	\$433.13

FULLY-INSURED HMO MONTHLY PREMIUM RATES				
	PRUDENTIAL HMO HOUSTON		UTMB HEALTHCARE SYSTEMS HMO GALVESTON	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$218.23	\$197.58	\$201.45	\$172.71
Subscriber and Spouse	\$426.90	\$386.51	\$388.34	\$332.95
Subscriber and Child(ren)	\$386.23	\$349.69	\$357.55	\$306.55
Subscriber and Family	\$560.56	\$507.52	\$539.65	\$462.68

DENTAL PLAN MONTHLY PREMIUMS*				
	U. T. SYSTEM SELF-FUNDED DELTA DENTAL		UNITED DENTAL FULLY-INSURED (DENTAL HMO)	
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$24.45	\$20.70	\$10.73	\$11.06
Subscriber and Spouse	\$46.43	\$37.18	\$19.94	\$20.56
Subscriber and Child(ren)	\$51.18	\$47.25	\$26.20	\$27.01
Subscriber and Family	\$72.77	\$58.87	\$31.50	\$32.47
* The dental plan, which has been required for employees, will be voluntary effective September 1, 2000.				

MONTHLY SMOKER PREMIUM RATE
A rate of \$10.00 will be added to either a U. T. System self-funded medical or dental plan for employees and retirees who do not sign an affidavit stating they are nonsmokers unless the employee or retiree is covered by the automatic plan.

FULLY-INSURED VISION PLAN MONTHLY PREMIUM RATES		
SUPERIOR VISION PLAN		
Coverage Level	FY 2000-2001 Proposed Rates	FY 1999-2000 Current Rates
Subscriber Only	\$7.22	\$6.58
Subscriber and Spouse	\$11.20	\$10.23
Subscriber and Child(ren)	\$11.46	\$10.46
Subscriber and Family	\$18.48	\$16.87

BACKGROUND INFORMATION

The above premium rates reflect the largest health premium rate increases in over a decade. Contributing factors include increases in hospital and physician fees as a result of the Balanced Budget Act for Medicare as well as increases in the cost of prescription drug benefits of 20% to 27% as a result of the development and use of many new drugs. Both The Texas A&M University System and the State of Texas Employees Retirement System have experienced similar rate increases.

In May 1998, in an attempt to control the anticipated cost increases, the Employee Group Insurance Office recommended and the U. T. Board of Regents approved establishment of a new self-funded UT Select Plan which offered benefits that were not as generous as in previous years, new self-funded Point-of-Service plans, increased prescription drug copayments, and the establishment of a Pharmacy Benefit Plan Advisory Group. In May 1999, the U. T. Board of Regents authorized the Executive Vice Chancellor for Business Affairs to approve modification to the rates for self-funded plans within 3% of the rates proposed, if necessary. The rates reflected in the tables for the current plan year include the 3% modification.

The proposed premium rates shown for the self-funded medical plans were increased based upon past and projected claims experience and were recommended by Rudd & Wisdom, Inc., a nationally recognized actuarial firm based in Austin, Texas.

Due to large increases in premium rates for the FY 2000 - 2001 plan year and the decreasing number of providers in the networks, the U. T. Southwestern Health Plan HMO in Dallas and the NYLCare Valley EPO in the Rio Grande Valley will no longer be offered.

The dental rates presented were received from the proposing organizations which were selected through a competitive bid process. The dental plans will become voluntary plans and the Prevent Delta Dental Plan will not be offered since premium sharing funds will no longer be available to offset the cost of the plans. See Item 4 on Page 93a of the Supplemental Material for the recommended selection of the dental plan administrator and carrier.

The vision plan premium rates were provided by Superior Vision Plan and represent a slight and reasonable increase to employees and retirees.

6. U. T. System: Recommended Appointment of an Administrator for the Self-Funded Prescription Drug Program to be Effective September 1, 2000

RECOMMENDATION

Issues related to the appointment of an administrator for the U. T. System self-funded prescription drug program to be effective September 1, 2000, are still being negotiated. It is anticipated that a recommendation will be available in advance of the May 2000 meeting of the U. T. Board of Regents.

7. U. T. Austin - C. B. Smith, Sr. Centennial Chairs in United States - Mexico Relations: Request for Approval to Sell Approximately 19.9357 Acres of Land Located on Teri Road, Austin, Travis County, Texas, and Authorization to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Faulkner that authorization be given for the U. T. System Real Estate Office, on behalf of U. T. Austin, to sell approximately 19.9357 acres of land located on Teri Road, Austin, Travis County, Texas, to J. W. Capital Corp., a Texas corporation, at or above the appraised fair market value of \$1,475,000 less the estimated environmental remediation cost (up to a maximum of \$500,000), as determined by an independent environmental engineering study. The net proceeds from the sale of the property will be invested in the Long Term Fund for the benefit of the C. B. Smith, Sr. Centennial Chairs in United States - Mexico Relations at U. T. Austin.

BUSINESS AFFAIRS AND AUDIT COMMITTEE

SUPPLEMENTAL MATERIAL

MAY 11, 2000

6. U. T. System: Recommended Appointment of an Administrator for the Self-Funded Prescription Drug Program to be Effective September 1, 2000

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. Board of Regents approve the appointment of Merck-Medco Managed Care, Inc., Franklin Lakes, New Jersey, as the administrator for a self-funded outpatient prescription drug program for employees and retirees of the U. T. System to be effective September 1, 2000.

BACKGROUND INFORMATION

The U. T. System Employee Group Insurance Office developed a Request for Proposals (RFP) for an outpatient prescription drug program, and on February 7, 2000, the RFP was distributed to all qualified interested organizations. A total of 16 proposals were received from the following organizations:

Advance Paradigm, Inc., Irving, Texas
AmeriPlan USA Corp., Dallas, Texas
Caremark Prescription Services, Northbrook, Illinois
Claimspro Health Claims Services, Southfield, Michigan
Eckerd Health Services, Pittsburgh, Pennsylvania
Managed Pharmacy Benefits, St. Louis, Missouri
Medimpact, San Diego, California
Merck-Medco Managed Care, Inc., Franklin Lakes, New Jersey
MIM Health Plans, Inc., Elmsford, New York
National Prescription Administrators, East Hanover, New Jersey
Optimal Health Care, Mars, Pennsylvania
PCS Health Systems, Inc., Scottsdale, Arizona
Prime Therapeutics, Inc., St. Paul, Minnesota

RESTAT, West Bend, Wisconsin
RxAmerica, Salt Lake City, Utah
UNICARE, Thousand Oaks, California

After an extensive review of the responses, the Director of the Employee Group Insurance Office recommended to the Executive Vice Chancellor for Business Affairs that the U. T. System contract be awarded to Merck-Medco Managed Care, Inc., Franklin Lakes, New Jersey, for the outpatient prescription drug program, on the basis of its customer service, lower cost, technological advances, and ability to customize services to meet the needs of the U. T. System.

It is further recommended that the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents, instruments, and other agreements and take all such further actions deemed necessary, advisable, or proper to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject property is a 19.9357 acre tract of land that was donated for the benefit of U. T. Austin by Mr. C. B. Smith, Sr., and his daughter, Ms. Johanna L. Smith. At its June 1983 meeting, the U. T. Board of Regents accepted this gift of land, as well as cash, and authorized the establishment of one or more C. B. Smith, Sr. Centennial Chair(s) in United States - Mexico Relations in the College of Liberal Arts at U. T. Austin.

In August 1984, the U. T. Board of Regents approved the sale of the property to Nash Phillips/Copus, Inc., of Austin, Texas. The property was sold subject to a deed of trust that was foreclosed by the U. T. Board of Regents on October 4, 1988. After the property was sold, the parties learned that a portion of the subject property had been used previously as a landfill. Prior to the foreclosure, the U. T. Board of Regents received approximately \$500,000 from the purchaser in the form of a down payment, a donation of the real estate commission, and payments on the note.

The U. T. Board of Regents has previously approved two proposed sales of the subject property since regaining ownership in 1988. For various reasons, neither of the two sales closed.

8. U. T. El Paso - Expansion of Swimming and Fitness Center: Request for Appropriation of Funds and Authorization of Expenditure and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President

Natalicio that the U. T. Board of Regents appropriate funds and authorize expenditure of \$400,000 from Revenue Financing System Bond Proceeds for the Expansion of Swimming and Fitness Center project at U. T. El Paso.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 98, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$400,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Expansion of Swimming and Fitness Center project at U. T. El Paso consists of the construction of a 6,000 square foot addition. The project will include free weights, weight resistance machines, cardiovascular equipment, a new control/observation desk, and an additional 400 square feet of storage space.

The total estimated cost of the project, including construction and equipment, is \$900,000. Construction costs are estimated at \$600,000, and the remaining \$300,000 is budgeted for equipment. Funding for the project is \$500,000 from Local Funds and \$400,000 from Revenue Financing System Bond Proceeds, with Designated Tuition as the revenue source to be pledged for repayment. While this project size is below the required review threshold of the U. T. Board of Regents, Board approval is sought for the issuance of the bonds.

Borrowing costs are assumed to be 4.5% during the interim construction period and 6.5% for the fixed rate, 20-year bonds. Estimated annual debt service coverage will be \$36,303. The debt service coverage and the ratio of annual debt service coverage to operating expenses are reflected on Pages 99 - 100.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Director of Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Expansion of Swimming and Fitness Center at U. T. El Paso, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 5th day of April, 2000

/s/ Terry Hull
Director of Finance

**The University of Texas at El Paso
Expansion of
the Swimming and Fitness Center**

Project Level: (Actual \$)

	Actual			Budget		Forecast		
	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Swimming Pool								
Beginning Balance	32,851	66,284	82,059	83,357	83,357	85,282	114,459	131,579
Student Fees	126,954	156,249	158,468	209,066	209,066	259,066	259,066	259,066
Transfer from Designated Funds (Rec. Fee)	159,032	159,032	159,032	159,032	172,000	172,000	172,000	172,000
Total Revenues	285,986	315,281	317,500	368,098	381,066	431,066	431,066	431,066
Operating Expenses	(248,963)	(299,505)	(316,202)	(368,098)	(379,141)	(401,889)	(413,946)	(426,364)
Net Revenues	37,023	15,776	1,298	0	1,925	29,177	17,120	4,702
Transfer from Designated Tuition for Debt Service					4,500	36,303	36,303	36,303
Intra fund transfers	(3,589)	0						
Net Transfers	(3,589)	0	0	0	4,500	36,303	36,303	36,303
Mandatory Transfers								
Swim Center Debt Service					(4,500)	(36,303)	(36,303)	(36,303)
Total Debt Service					(4,500)	(36,303)	(36,303)	(36,303)
Change in Fund Balance	33,434	15,776	1,298	0	1,925	29,177	17,120	4,702
Ending Fund Balance	66,284	82,059	83,357	83,357	85,282	114,459	131,579	136,280
Debt Service Coverage					1.43	1.80	1.47	1.13

**The University of Texas at El Paso
Expansion of
the Swimming and Fitness Center**

100

Campus Level: (\$ in millions)	Actual			Forecast				
	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Beg. Fund Balance	13.5	14.4	20.4	20.9	21.9	19.6	1.4	3.1
Total Current Unrestricted Revenues	116.8	128.1	129.5	143.8	144.4	146.4	148.7	151.1
Total Current Unrestricted Expenditures	(109.6)	(116.6)	(120.2)	(131.1)	(130.6)	(133.1)	(135.7)	(138.2)
Net Revenues	7.2	11.5	9.3	12.7	13.8	13.3	13.0	12.9
Debt Service	(4.6)	(4.7)	(5.6)	(6.8)	(8.7)	(9.4)	(8.9)	(8.2)
Other Mand. Transfers	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mand. Transfers	(4.6)	(4.8)	(5.6)	(6.8)	(8.7)	(9.4)	(8.9)	(8.2)
Nonmandatory Transfers	(1.6)	(0.7)	(3.1)	(4.7)	(7.3)	(2.3)	(2.3)	(2.4)
Adjustments	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Inc./(Dec.) for Year	0.9	6.0	0.4	1.1	(2.3)	1.5	1.7	2.2
End. Fund Balance	14.4	20.4	20.9	21.9	19.6	21.1	3.1	5.3
Debt Service Coverage	1.6	2.4	1.7	1.9	1.6	1.4	1.5	1.6
Debt Service to Operating Expenses	4.2%	4.0%	4.7%	5.2%	6.7%	7.1%	6.6%	5.9%

U.T. System (\$ in millions)	Actual			Forecast				
	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Available Revenues	3,900.3	4,208.7	4,363.1	4,588.8	4,670.5	4,778.7	4,851.8	4,971.5
Operating Expenses	(3,657.7)	(3,911.5)	(4,166.5)	(4,298.3)	(4,391.3)	(4,481.5)	(4,574.1)	(4,665.5)
Net Available for Debt Serv.	242.6	297.2	196.6	290.5	279.2	297.2	277.7	306.0
Other Mandatory Transfers	(1.8)	(1.3)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
Debt Service	(73.5)	(84.8)	(95.5)	(123.6)	(142.9)	(145.7)	(135.8)	(141.5)
Debt Service Coverage	3.2	3.5	2.0	2.3	1.9	2.0	2.0	2.1
Debt Service to Operating Expenses	2.0%	2.2%	2.3%	2.8%	3.3%	3.3%	3.1%	3.1%

INFORMATIONAL REPORT

U. T. System: Discussion of the March 2000 Monthly Financial Report

REPORT

Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, will discuss the March 2000 Monthly Financial Report for the U. T. System.

Academic Affairs Committee

ACADEMIC AFFAIRS COMMITTEE
Committee Chairman Miller

Date: May 11, 2000
Time: Following the Meeting of the Business Affairs and Audit Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

	<u>Page</u>
1. U. T. System: Request for Authorization to Submit to the Coordinating Board Mission Statements for U. T. El Paso, U. T. Health Science Center - Houston, U. T. M. D. Anderson Cancer Center and U. T. Health Center - Tyler	103
2. U. T. Arlington: Request for Authorization to Establish a Master of Arts in Interdisciplinary Science; Approval to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met	109
3. U. T. Pan American: Request for Authorization to Establish a Master of Science in Engineering with Options in Manufacturing, Mechanical, and Electrical Engineering and Approval to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)	111

INFORMATIONAL REPORTS

1. U. T. System: Report on the Strategic Planning Process and Agency Strategic Plans	114
2. U. T. System: Report on K-16 Activities	114

1. U. T. System: Request for Authorization to Submit to the Coordinating Board Mission Statements for U. T. El Paso, U. T. Health Science Center - Houston, U. T. M. D. Anderson Cancer Center and U. T. Health Center - Tyler

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellors for Academic Affairs and Health Affairs and the Presidents of the general academic and health component institutions that authorization be granted for the U. T. System Administration to submit to the Texas Higher Education Coordinating Board revised Role and Mission Statements which are consistent with the respective component institution's long-range strategic plans. Revised Mission Statements for U. T. El Paso, U. T. Health Science Center - Houston, U. T. M. D. Anderson Cancer Center and U. T. Health Center - Tyler are set out in their entirety on Pages 104 - 108. The other components recommend no changes to their currently-approved Mission Statements.

This item requires the concurrence of the Health Affairs Committee.

BACKGROUND INFORMATION

Section 61.051 of the Texas Education Code requires the Texas Higher Education Coordinating Board to review periodically the Role and Mission Statements offered by public institutions of higher education. In July 1998, the Coordinating Board reviewed and approved Mission Statements for all U. T. System institutions. The mission statement for U. T. Health Science Center - Houston was last revised in February 1999.

Minor changes to the Mission Statements are necessary to ensure consistency with the component's Tables of Programs. Other changes are results of institutional review processes. None of the proposed changes represent a substantive change in mission.

Copies of the currently-approved Mission Statements are on file in the U. T. System Offices of Academic Affairs and Health Affairs as appropriate. It is anticipated that the Coordinating Board will act upon these materials at its July 2000 meeting. Following approval, the final versions will be on file in the Offices of Academic Affairs and Health Affairs as appropriate.

The University of Texas at El Paso

Mission Statement

UTEP's Vision

The University of Texas at El Paso (UTEP) commits itself to providing quality higher education to a diverse student population. The University aims to extend the greatest possible educational access to a region which has been geographically isolated with limited economic and educational opportunities for many of its people. UTEP will ensure that all of its graduates obtain the best education possible, one which is equal, and in some respects superior, to that of other institutions so that UTEP's graduates will be competitive in the global marketplace. UTEP also envisions using its binational location to create and maintain multicultural, inter-American educational and research collaborations among students, faculty, institutions and industries, especially in northern Mexico.

Through the accomplishment of its mission and goals via continuous improvement, UTEP aspires to be a model of educational leadership in a changing economic, technological and social environment. The UTEP community -- faculty, students, staff and administrators -- commits itself to the two ideals of excellence and access. In addition, it accepts a strict standard of accountability for UTEP's institutional effectiveness as the University educates students who will be the leaders of the 21st Century.

UTEP's Mission

The University of Texas at El Paso (UTEP) is dedicated to teaching and to the creation, interpretation, application and dissemination of knowledge. UTEP prepares its students to meet lifelong intellectual, ethical and career challenges through quality educational programs, excellence in research and in scholarly and artistic production, and innovative student programs and services, which are created by responsive faculty, students, staff and administrators.

As a component of The University of Texas System, UTEP accepts as its mandate the provision of higher education to the residents of El Paso and the surrounding region. Because of the international and multicultural characteristics of this region, the University provides its students and faculty with distinctive opportunities for learning, teaching, research, artistic endeavors, cultural experiences and service.

The University of Texas Health Science Center at Houston

Mission Statement

The University of Texas Health Science Center at Houston is a component of The University of Texas System committed to the finest instruction, academic performance, and clinical training of students in the major health disciplines; and in the instruction and training of biomedical research scholars - all toward improvement of the health of Texans.

As an academic health science center, U. T. Health Science Center - Houston educates selected undergraduate medical and dental professional, graduate and postgraduate students in their individual disciplines and in aspects of health, disease and the mysteries of the biomedical sciences, particularly those that cross disciplinary boundaries. U. T. Health Science Center - Houston offers sixteen distinct degree programs and seven joint degree programs to over 3,000 of these students each year. Students learn from faculty scholars who have in-depth and broad-ranging expertise in the predominant health disciplines and the biomedical sciences. The faculty conduct research both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise. Students and trainees have many opportunities to participate in these research pursuits.

The comprehensiveness of this University provides an environment beneficial both to individual health disciplines and to interdisciplinary and collaborative endeavors in teaching, research and service. Interdisciplinary projects and activities bring faculty and students together in a rich learning environment. Collaboration among faculty across the six schools and colleague institutions in the Texas Medical Center produce scholarly innovations in research and services. The academic units of U. T. Health Science Center - Houston include:

- Dental Branch (established 1905, joined U. T. 1943)*
- Graduate School of Biomedical Sciences (1963)*
- School of Public Health (1967)*
- Medical School (1970)*
- School of Nursing (1972)*
- School of Allied Health Sciences (1973)*

*This academic unit offers degrees and programs with subjects limited to health-related fields.

U. T. Health Science Center - Houston responds to the health care manpower needs of the citizens of Texas, the city of Houston, and Harris County and its surrounding counties. With over 200 clinical affiliates in the State, U. T. Health Science Center - Houston provides health professions students with a variety of clinical and community-based experiences. Primary clinical affiliates are the Memorial Hermann Hospital and the L.B.J. General Hospital and Neighborhood Health Centers of the Harris County Hospital District. The Harris County Psychiatric Center (HCPC) is a unique clinical affiliate managed by the U. T. Health Science Center - Houston that is committed to advances in mental health services and care as well as education of mental health-care professionals. Many and varied community-based sites and internships are available to students for experiences outside the clinical setting. With such varied opportunities to learn by doing in urban, suburban and rural environments, U. T. Health Science Center - Houston students are trained where Texans live.

To benefit the local community and the entire State of Texas, U. T. Health Science Center - Houston offers a variety of continuing education and outreach programs to assist practicing health professionals in utilizing the latest findings of research and practice in clinical and biomedical fields. Through these professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease. Other outreach efforts and programs are aimed at promoting science and math as well as careers in health care to young students in grades K-12 and to undergraduate institutions. U. T. Health Science Center - Houston aspires to create new opportunities for students to enter the health and science professions and thus address future challenges to the health of the citizens of the State of Texas.

The University of Texas M. D. Anderson Cancer Center

Mission Statement

The mission of The University of Texas M. D. Anderson Cancer Center is to eliminate cancer in Texas, the nation, and the world through outstanding integrated programs in patient care, research, education, and prevention.

The University of Texas Health Center at Tyler

Mission Statement

The University of Texas Health Center at Tyler will provide the citizens of Texas with leadership and excellence in the diagnosis, treatment, and prevention of diseases, and in primary patient care, biomedical research and health education with an emphasis on cardiopulmonary disease.

2. U. T. Arlington: Request for Authorization to Establish a Master of Arts in Interdisciplinary Science; Approval to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Witt that authorization be granted to establish a Master of Arts in Interdisciplinary Science at U. T. Arlington; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

The proposed Master's degree program is consistent with U. T. Arlington's Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

This 36 semester credit hour Master of Arts in Interdisciplinary Science at U. T. Arlington has been designed primarily to serve science teachers in the Dallas-Fort Worth Metroplex. It will also be valuable to engineers, policy analysts, and others who need breadth of scientific knowledge rather than research depth in a single scientific discipline. The curriculum was designed in collaboration with the Arlington, Dallas, and Fort Worth Independent School Districts. Students will take courses from either two or three of the following disciplines: biology, chemistry, physics, geology, mathematics, and psychology. In the disciplines chosen, students will take a laboratory methods course as well as specific subject area courses. To complete

the program, students will take a capstone science course but will not write a thesis. The program will be administered by the College of Science. In addition to the normal admissions requirements for the U. T. Arlington graduate school, students will be required to have completed a minimum of four formal science classes at the undergraduate level plus a calculus course.

Need and Student Demand

The University estimates that there will be at least 100 new students (38 FTE) enrolled in the program within five years. These conservative estimates are based upon surveys in the local school districts for teacher interest only.

Program Quality

The program will be taught primarily by tenured and tenure-track faculty involved in research and doctoral education in the sciences. The curriculum has been specifically designed for the program. It will use courses which, although similar to the courses taught in the research-oriented Master of Science program, are designed to emphasize breadth and integration of the sciences. Scientific rigor with emphasis upon interpreting research results will be a defining characteristic of the program.

Program Cost

By building the individual courses as modifications of existing courses and scheduling their delivery as substitution for other courses being taught, the University will be able to offer this program while incurring only modest new costs. The estimated five-year cost is \$808,000. Revenue from the new students is anticipated to be in excess of \$1.29 million.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria (8) for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

Summary

U. T. Arlington is requesting authorization to establish a Master of Arts in Interdisciplinary Science. This is a 36 semester credit hour nonthesis degree designed specifically to serve science teachers. It will be taught primarily by tenure and tenure-track faculty in biology, chemistry, physics, geology, mathematics, and psychology. The University anticipates program enrollment in excess 100 students each year after the first five years.

A copy of the proposal to establish a Master of Arts in Interdisciplinary Science is on file in the U. T. System Office of Academic Affairs.

3. U. T. Pan American: Request for Authorization to Establish a Master of Science in Engineering with Options in Manufacturing, Mechanical, and Electrical Engineering and Approval to Submit the Proposed Degree Program to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Nevárez that authorization be granted to establish a Master of Science in Engineering with Options in Manufacturing, Mechanical, and Electrical Engineering at U. T. Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The proposed Master's degree program is consistent with U. T. Pan American's Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the degree program is included in the Background Information of this agenda item.

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

BACKGROUND INFORMATION

Program Description

U. T. Pan American proposes to offer a Master of Science in Engineering degree with options in manufacturing engineering, mechanical engineering, and electrical engineering. Each of the options would be administered by the Engineering Department with primary responsibilities within each option assigned to the program directors for those disciplines. Students would be permitted to choose elective courses from any of the three disciplines as would best meet their individual educational objectives. Within each option, students will have the opportunity to take a course work-only degree with 36 semester credit hours of class work, a professional practicum degree with 30 hours of course work and six hours of practicum, or a thesis degree with 24 hours of course work and a minimum of six hours of Master's-level thesis work. The development of the proposed complete degree program has been a part of the University's plan since it first established its engineering programs in 1992 and the University has been offering some graduate-level course work in engineering since the Fall of 1997. The University believes that the Engineering Department has now reached a level of maturity sufficient to support a high-quality graduate program.

Need and Student Demand

Industrial development in the Rio Grande Valley continues to grow rapidly. There is a large and growing number of engineers employed in the area, many seeking advanced graduate education. At the present time, the only graduate educational opportunities available in the Valley come from Texas A&M at Kingsville, which operates a small continuing education program at its Weslaco center, and institutions which send videotaped lectures to students taking correspondence courses. U. T. Pan American estimates that within five years there will be more than 160 students (in excess of 72 FTE) enrolled in the three options of this program. These estimates are based in large part upon interest shown by approximately 50 engineers in the graduate courses already being offered.

Program Quality

The program will be offered by faculty who have been teaching undergraduate programs in the same disciplines since 1992. The engineering programs, which were initiated in 1992, received accreditation from the Accreditation Board for Engineering and Technology (ABET) in 1996. U. T. Pan American has the only accredited program in manufacturing engineering in Texas. Most of the faculty who

will contribute to the program are tenured or on tenure-track. Laboratory courses will be supported by excellent laboratory facilities in the Engineering Building, which was completed in 1996. Of special note is the strength of the manufacturing laboratories.

Program Cost

Within the first five years, the University anticipates hiring five additional faculty members who will support this program. Over the five years, the University anticipates reallocation of \$1.05 million from the program development funds for the South Texas/Border Initiative and the allocation of an additional \$0.82 million of new funding. The University anticipates that annual revenues will exceed expenditures beginning in year three.

Coordinating Board Criteria

The program meets seven of the eight (8) applicable Coordinating Board criteria for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board. The new costs for the first five years of program operation would exceed \$1,000,000; therefore, the proposed degree program does not meet the Certification for Approval of a New Bachelor's and Master's Level Degree Programs by the Commissioner and must be approved by the Coordinating Board.

Summary

In summary, U. T. Pan American proposes to offer a Master of Science in Engineering with options in manufacturing engineering, mechanical engineering, and electrical engineering which parallel the undergraduate programs established in 1992. The continued growth of the manufacturing industry in the Rio Grande Valley and the large number of engineers employed there are evidence of a long-term need for these programs. Revenue is expected to exceed program cost beginning in year three.

A copy of the proposal for the Master of Science in Engineering at U. T. Pan American is on file in the U. T. System Office of Academic Affairs.

ACADEMIC AFFAIRS COMMITTEE

ADDITIONAL ITEM

MAY 11, 2000

4. U. T. San Antonio: Request for Authorization to Reorganize the Academic Structure and to Submit the Proposed Organizational Structure to the Coordinating Board for Approval (Catalog Change)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to reorganize the academic structure of U. T. San Antonio as set forth below, with explanatory notes, and to submit the proposed reorganization to the Texas Higher Education Coordinating Board for review and appropriate action:

Proposed Alignment of Colleges and Academic Departments or Schools

Colleges

Business

Departments/Schools

(Up to three new departments may be created from these existing divisions over the next five years.)

Accounting and Information Systems*

Economics and Finance*

Management and Marketing*

Fine and
Liberal Arts

School of Architecture and Interior Design *(Could be relocated into College of Urban Professional Programs)*

Art*

Communications

Music*

English, Classics, and Philosophy*

Foreign Languages*

History and Anthropology *(May later split into two departments)*

Political Science and Geography

Psychology

Sociology

Colleges (cont.)	Departments/Schools (cont.)
Science	Computer Science* Physical Sciences* (<i>Includes Chemistry and Physics</i>) Environmental Sciences Life Sciences* Mathematics* (<i>May be divided into two or three units</i>)
Education and Human Development	Current division of Education* (<i>Will later split into three departments</i>) Bicultural-Bilingual Studies
Engineering	(<i>Will later split into three departments</i>)
Urban Professional Programs	(<i>This would be the home of a future School of Social Work.</i>) Criminal Justice Public Administration

*These are currently divisions which will transition into traditional departments.

It is further recommended that the President of U. T. San Antonio may make minor modifications to the proposed structure upon approval by the Executive Vice Chancellor for Academic Affairs and subsequent approval by the Commissioner of Higher Education.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. San Antonio will be amended to reflect this new organizational structure.

BACKGROUND INFORMATION

This item is being submitted as a late item on yellow paper as U. T. San Antonio did not expect for it to be ready for presentation at this meeting.

U. T. San Antonio currently has four colleges and 17 multidisciplinary divisions within those colleges. The division-based organizational structure was developed in the early 1980s in an attempt to cut administrative costs and to foster interdisciplinary programs. While this academic structure was successful in reducing administrative costs for many years, it was not very successful in fostering interdisciplinary work. As the University has grown in size and complexity, the organizational structure has become a clear disadvantage. It no longer provides opportunities for reducing administrative costs.

Four colleges will be replaced with six colleges, and the multidisciplinary academic divisions will be replaced with traditional academic departments or schools. A College of Engineering will be formed from the Engineering Division within the current College of Science and Engineering, and a College of Education and Human Development will be formed from units within the current College of Social and Behavioral Sciences. The current College of Fine Arts will be expanded and become the College of Fine and Liberal Arts. A new College of Urban Professional Programs will be created and housed on the Downtown Campus. The other two colleges will be a College of Business and a College of Science.

Although the proposed restructuring creates two more colleges than currently exist, no significant cost will be incurred. The cost of creating new colleges will be offset by the estimated \$500,000 to be saved in the transition to rotating department chairs rather than division heads. There will be no change in the academic curriculum or in the staffing for teaching and research.

INFORMATIONAL REPORTS

1. U. T. System: Report on the Strategic Planning Process and Agency Strategic Plans

REPORT

A short presentation will be made concerning the strategic planning process and the Agency Strategic Plans of all the component institutions of the U. T. System which are to be submitted to the Legislative Budget Office and the Governor's Office by June 1, 2000.

2. U. T. System: Report on K-16 Activities

REPORT

A presentation will be made by President Miguel Nevárez on the U. T. Pan American "Access and Success Initiative" including the University Scholars and Advanced Placement programs.

Health Affairs Committee

HEALTH AFFAIRS COMMITTEE
Committee Chairman Loeffler

Date: May 11, 2000
Time: Following the Meeting of the Academic Affairs Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

	<u>Page</u>
1. U. T. System: Recommendation to Amend Article VII (Limits of Liability), Section A, Subsection 1, and Section B of The University of Texas System Professional Medical Liability Benefit Plan	117
2. U. T. System: Recommendation for Approval to Decrease the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2000	119
3. U. T. System: Request for Authorization to Set Aside 2% of Dental School Tuition for Certain Loan Repayments	121
4. U. T. Southwestern Medical Center - Dallas: Request for Authorization to Establish a Master of Physician Assistant Studies; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met	122
5. U. T. Medical Branch - Galveston: Request for Authorization to Establish a Master of Physician Assistant Studies; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria Are Met	124

6. U. T. Health Science Center - Houston - Build-out of the Ninth Floor of the Denton A. Cooley Building and Purchase of Equipment for the Institute of Molecular Medicine: Request to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project; Request to Authorize Institutional Management of Project; and Appropriation of Funds 127
7. U. T. M. D. Anderson Cancer Center - Ambulatory Clinical Building: Request to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project 129

1. U. T. System: Recommendation to Amend Article VII (Limits of Liability), Section A, Subsection 1, and Section B of The University of Texas System Professional Medical Liability Benefit Plan

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that Article VII, Section A, Subsection 1, and Section B of The University of Texas System Professional Medical Liability Benefit Plan be amended as set forth below in congressional style:

ARTICLE VII LIMITS OF LIABILITY

- A. The Plan's liability shall not exceed the limits of liability stated below, and such stated limits shall be applied as follows:
 1. The "per claim" limit of liability is the maximum liability the Plan can owe for a claim first made during an annual period of this Plan and covered by this Plan as a Plan Incident. A single "per claim" limit of liability shall be applicable to a Plan Incident regardless of the number of claims made, ~~or~~ lawsuits filed, or physicians involved in a Plan Incident, and regardless of the number of annual periods involved with any Plan Incident. If a Plan Incident involves injuries to more than one patient such as in obstetrical services to the mother and fetus/child or children, a single "per claim" limit of liability shall be applicable for all such claims and resulting lawsuits. Likewise, a single "per claim" limit of liability shall be applicable to all claims by both the patient and by the family members or the heirs or estate of such patient, including derivative claims, claims for loss of consortium, claims of beneficiaries under the Texas Wrongful Death Statute and claims for mental anguish and related injuries associated with bystander perception or reaction to the injuries sustained by the patient. Plan coverage limits of liability, therefore, will not be stacked, added or combined in any manner to increase liability under this Plan even though multiple claimants, multiple claims or injuries, multiple lawsuits, or annual periods may be involved within a Plan Incident.

- B. When a claim is first made during an annual period as to the Participant, and thereafter, during the same or a subsequent annual period, one or more additional claims or lawsuits are reported arising out of, directly or indirectly, the same Plan Incident, all such subsequent claims or lawsuits shall be considered to have been first made against such Participant at the same time and during the same annual period as such claim was initially reported, and a single "per claim" limit of liability shall be applicable.

"First made" means a claim first reported in writing to the Plan [plan] during the annual period of the Plan.

"Plan Incident" means any and all injuries and compensatory damages arising out of: the same, connected or related patient services rendered by the Participant or by anyone for whom such Participant has coverage under the Plan for vicarious liability.

Limits of Liability Schedule

The following limits shall apply unless lower liability limits are set by law, in which case the lower limits shall apply:

Staff Physician	\$500,000.00 per claim
.....	\$1,500,000.00 per all claims
Resident and Fellows.....	\$100,000.00 per claim
.....	\$300,000.00 per all claims
Medical Student	\$25,000.00 per claim
Annual Aggregate for all claims for all participants	<u>\$30,000,000.00</u> [25,000,000]

Per Incident Limitation

Liability shall be limited to \$2,000,000.00 per incident regardless of the number of the claimants or physicians involved in an incident.

.....

BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Self-Insurance Plan to provide medical liability coverage for certain medical staff and medical students of the U. T. System effective April 1, 1977.

Effective February 12, 1998, the U. T. Board of Regents rescinded The University of Texas System Plan for Professional Medical Liability Self-Insurance and adopted The University of Texas System Professional Medical Liability Benefit Plan. The basic Plan document was revised by the law firm of Davis and Wilkerson to incorporate changes in Texas insurance law since the Plan's inception and to clarify certain ambiguous sections of the Plan.

The Plan document, as adopted on February 12, 1998, inadvertently omitted the recommendation by Davis and Wilkerson to provide a per incident limitation on Plan liability.

The annual aggregate was last changed in 1998 and is increased to reflect actuarial experience and trends over the past two years. Since the initial adoption, the Plan was amended by the U. T. Board of Regents in February 1999 to correct wording of Article V, Section 4, Subsection R, relating to exclusion for coverage of participants.

See Item below related to premium rates for this Plan.

2. U. T. System: Recommendation for Approval to Decrease the Institutional Premium Charge of The University of Texas System Professional Medical Liability Benefit Plan Effective September 1, 2000

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the premium rates for The University of Texas System Professional Medical Liability Benefit Plan be decreased by 11.5% for U. T. System faculty physicians and resident physicians effective September 1, 2000.

It is further recommended that 50% of the premium reduction be based on the actuarially determined experience of each U. T. System health component by risk class.

BACKGROUND INFORMATION

Pursuant to the authority of Chapter 59 of the Texas Education Code, the U. T. Board of Regents adopted The University of Texas System Professional Medical Liability Benefit Plan to provide coverage for certain medical staff and medical students of the U. T. System. The Plan (formerly known as the Professional Medical Liability Self-Insurance Plan) went into effect on April 1, 1977, and is funded by the payment of premiums from the Medical Service, Research and Development Plans of the component health institutions of the U. T. System. On May 13, 1999, the U. T. Board of Regents approved a 7% decrease in premium rates for the Plan effective September 1, 1999.

The total number of U. T. System physicians currently covered by the Plan is 5,346 staff and resident physicians, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents and fellows. A total of 3,345 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 coverage.

Actuaries from Tillinghast-Tower and Perrin, the nation's largest medical liability self-insurance plan actuarial firm, have reviewed the Plan's 22-year experience and recommend experienced-based premiums related to the claims loss of each U. T. System health component. The recommended 11.5% rate decrease will result in the Plan's premium rates remaining approximately 50% below the rate of commercial insurers for similar coverage.

See Item 1 on Page 117 related to revisions to The University of Texas System Professional Medical Liability Benefit Plan.

3. U. T. System: Request for Authorization to Set Aside 2% of Dental School Tuition for Certain Loan Repayments

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs that the U. T. Board of Regents authorize health institutions with dental schools in the U. T. System to set aside 2% of tuition charges for resident students registered in these schools. This action is required by Texas Education Code Section 61.910 enacted by the 76th Texas Legislature, Regular Session, effective September 1, 1999.

BACKGROUND INFORMATION

Texas Education Code Section 61.910 requires that the governing board of health institutions with dental schools set aside 2% of tuition charges for resident students enrolled in a degree program for training dentists. The amount set aside is to be transferred to the Texas Comptroller of Public Accounts for the purpose of repayment of certain student loans to dental students. The U. T. System dental schools are located at U. T. Health Science Center - Houston and U. T. Health Science Center - San Antonio.

4. U. T. Southwestern Medical Center - Dallas: Request for Authorization to Establish a Master of Physician Assistant Studies; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria for Approval Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Wildenthal that authorization be granted to U. T. Southwestern Medical Center - Dallas to establish a Master of Physician Assistant Studies; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

The proposed Master of Physician Assistant Studies degree program is consistent with U. T. Southwestern Medical Center - Dallas' approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the proposal is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Southwestern Medical Center - Dallas will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

This proposed Master of Physician Assistant Studies degree program will be offered through the School of Allied Health Sciences at the U. T. Southwestern Medical Center - Dallas. This master's degree program will replace the current baccalaureate Physician Assistant Studies degree program. The Master of Physician Assistant Studies is an eight semester, 118 semester credit hour program that will include graduate level didactic and clinical education in research

methodology, evidence-based medicine, health promotion, disease prevention, and professional practice issues. Targeted students include Texas residents with a demonstrated interest in providing primary health-care services in medically underserved rural and inner city communities. The first class of students is projected to enroll in May 2001.

Need and Student Demand

Growing pressure to control health-care costs and resource utilization requires providers with advanced clinical skills and knowledge to work in interdisciplinary teams with their supervising physicians. Graduates of the current Physician Assistant baccalaureate degree program have demonstrated a propensity to remain in the State of Texas and provide health care in primary care settings, and similar results are expected from graduates of the proposed master's program. The master's program graduates will acquire additional statistically grounded, research based practice skills that enhance accountability and cost-containment. Student enrollment will be 36 students per class. Demand for this program remains high, with an average of 13.36 applicants per available seat for the past five years, with 79% of matriculates already holding at least a baccalaureate degree. According to the Bureau of Labor Statistics, the number of Physician Assistant jobs will increase by 48% between 1998 and 2008.

Program Quality

The curriculum includes basic science courses taught by U. T. Southwestern Medical Center - Dallas faculty. These basic science courses include a full cadaver dissection lab; Patient Evaluation I, II, and III; Clinical Medicine I, II, and III; Pathology; Pharmacology; Health Promotion and Disease Prevention; Integration Skills I and II; Psychiatry; and Analysis in Medical Research. The clinical portion includes eleven rotations varying from four to eight weeks in length and located primarily in inner city and rural sites. Admissions standards include completion of a baccalaureate degree and specified prerequisite courses with a minimum overall GPA of 2.75, completion of the Graduate Record Examination, and health-care experience. Presently, there are 6.4 FTE faculty members and numerous volunteer adjunct faculty. Current Physician Assistant faculty have been recognized with two institutional, two statewide, and two national teaching awards; two national research excellence awards; and a national publishing award.

Program Cost

No additional costs are projected or requested to fund the proposed program. Existing program funds are from State appropriations, federal grant funds, and faculty service plan clinical income.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria (8) for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

Summary

U. T. Southwestern Medical Center - Dallas is requesting authorization to establish a Master of Physician Assistant Studies and to submit the degree program to the Texas Higher Education Coordinating Board for approval. The proposed program will address the unmet need for Physician Assistants in the State of Texas and will replace the current baccalaureate degree in this field in the School of Allied Health Sciences at U. T. Southwestern Medical Center - Dallas.

A copy of the proposal to establish a Master of Physician Assistant Studies is on file in the U. T. System Office of Health Affairs.

5. U. T. Medical Branch - Galveston: Request for Authorization to Establish a Master of Physician Assistant Studies; Approval to Submit the Proposal to the Coordinating Board for Approval (Catalog Change); and Authorization of Certification that Coordinating Board Criteria Are Met

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Stobo that authorization be granted to U. T. Medical Branch - Galveston to establish a Master of Physician Assistant Studies; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Health Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

The proposed Master of Physician Assistant Studies degree program is consistent with U. T. Medical Branch - Galveston's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs. A description of the proposal is included in the Background Information of this agenda item.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Medical Branch - Galveston will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

This proposed Master of Physician Assistant Studies degree program will be offered through the School of Allied Health Sciences at the U. T. Medical Branch - Galveston. This master's degree program will replace the current baccalaureate Physician Assistant Studies degree program. The Master of Physician Assistant Studies is a 26-month, 92 semester credit hour program that will include 42 semester credit hours in the didactic and 50 semester credit hours in the clinical phase including research. Efforts will be made to attract students who possess the academic, leadership, service skills, and interest in furthering the goal of providing optimal health care. Efforts will also be made to attract minority practitioners with the expressed interest of practicing in underserved areas of the State. The first class of students is projected to enroll in June 2001.

Need and Student Demand

The need for highly trained Physician Assistants with a strong primary care background who want to provide high quality medical care under a physician's guidance in underserved areas of the State of Texas is high. In past years, emphasis has been on recruiting, training, and graduating individuals who are able to assist the physician in providing medical care in the primary care setting. More recently, market pressures and increased and improved recognition of the value of Physician Assistants have mandated expansion into other arenas. Nonetheless, there is concern that some practicing Physician Assistants are leaving the profession because of unfavorable working conditions and/or lack of opportunity for career advancement due to lack of advanced education. It was found that more than half (54%) of Physician Assistants surveyed plan to enroll in a master's degree program for career enhancement and/or personal fulfillment. The Physician Assistant graduates of today are trained to offer cost-effective medical care in

outpatient and inpatient settings to all types of patients. Currently, about one-third of Physician Assistant programs offer master's degrees; most of these have been established in the last 3 to 4 years on campuses of private institutions. The impetus has been increased interest in the Physician Assistant profession and larger applicant pools. Also, many practicing Physician Assistants have come to realize the need for advanced degree education and training to be more effective in their clinical practice. Students serving in remote areas of the State need advanced skills for obtaining information and its application. The objective is to graduate individuals with the problem solving, evaluation, health promotion, and disease prevention skills needed to practice in a rapidly evolving and continually changing profession.

Program Quality

The curriculum is based on the premise that Physician Assistant education should be an integrated experience of academic and clinical courses addressing current and future needs of society. Admission standards include completion of a baccalaureate degree and specified prerequisite courses with a minimum overall GPA of 3.0 and 40 hours of work experience in hospitals, clinics, or private practice under the supervision of a medical doctor, doctor of osteopathy, physician assistant, or nurse practitioner. The courses in the Master of Physician Assistant Studies curriculum will be designed and presented to reflect graduate-level study. In addition, greater emphasis will be placed on evidence-based medicine, research, and current concepts and broader application, as needed, for graduate-level education. At the end of each rotation, students will return to campus for end of rotation activities including review sessions, testing, case studies, and physical exam simulations. The overall quality of the U. T. Medical Branch - Galveston Physician Assistant Program faculty is very high with the faculty considered to be among the top five program faculties in the country. The U. T. Medical Branch - Galveston Physician Assistant Program has a greater number of doctoral-prepared faculty than any other program in the country, with higher scholarly productivity including peer-reviewed journal articles, books, book chapters, presentations, and funded grants. All full-time faculty have active clinical practices where they mentor students. Presently, there are 7.2 FTE faculty members in the Physician Assistant Program.

Program Cost

No additional costs are projected or requested to fund the proposed program. Sources of funds are State appropriations, grants, and tuition and fees.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria (8) for degree programs that may be approved by the Commissioner of Higher Education on behalf of the Coordinating Board.

Summary

U. T. Medical Branch - Galveston is requesting authorization to establish a Master of Physician Assistant Studies and to submit the degree program to the Texas Higher Education Coordinating Board for approval. The proposed program will address the unmet need for Physician Assistants in the State of Texas and will replace the current baccalaureate degree in this field in the School of Allied Health Sciences at U. T. Medical Branch - Galveston.

A copy of the proposal to establish a Master of Physician Assistant Studies is on file in the U. T. System Office of Health Affairs.

6. U. T. Health Science Center - Houston - Build-out of the Ninth Floor of the Denton A. Cooley Building and Purchase of Equipment for the Institute of Molecular Medicine: Request to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project; Request to Authorize Institutional Management of Project; and Appropriation of Funds

RECOMMENDATION

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

- a. Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Build-out of the Ninth Floor of the Denton A. Cooley Building and purchase of equipment for the Institute of Molecular Medicine project at the U. T. Health Science Center - Houston at a total project cost of \$8,700,000, with funding from Permanent University Fund Bond Proceeds

- b. Authorize U. T. Health Science Center - Houston to manage the total project budget, appoint architects, approve facility programs, prepare final plans, award contracts, and purchase equipment associated with the project
- c. Appropriate funds of \$8,700,000 from Permanent University Fund Bond Proceeds.

BACKGROUND INFORMATION

This project consists of the build-out of the ninth floor of the Texas Heart Institute's new Denton A. Cooley Building, which is currently under construction, for use by the U. T. Health Science Center - Houston Institute of Molecular Medicine (IMM). The Texas Heart Institute has offered U. T. Health Science Center - Houston an opportunity to lease the ninth floor, and this project will build out this floor for wet labs and offices to accommodate the growth of the Institute of Molecular Medicine and research related to cardiovascular disease. A contract is currently being finalized with Philo and Wilke Architects for design of the project, and the construction work will be accomplished by the Texas Heart Institute's general contractor, Linbeck Construction Corporation. The lease will include a build-out allowance, which is to be determined by the negotiated guaranteed maximum price. The total cost for this phase of the work is \$8,500,000.

U. T. Health Science Center - Houston has a documented shortage of quality research space that is affecting the ability to recruit high potential researchers. It will be several years before U. T. Health Science Center - Houston's next major research facility is complete. The Texas Heart Institute's offer represents an opportunity for U. T. Health Science Center - Houston to obtain additional high quality research space within a short time frame.

Included in the total project cost is an allocation of \$200,000 for the purchase of x-ray diffraction equipment to support the research of a newly recruited x-ray crystallographer. This equipment will be installed at the existing IMM leased space at Texas A&M University Institute for Biosciences and Technology Building.

A 1994 Memorandum of Understanding (MOU) made \$15,000,000 in Permanent University Fund Bond Proceeds available for the development of the Institute of Molecular Medicine. This allocation of \$8,500,000 for build-out and \$200,000 for equipment from Permanent University Fund Bond Proceeds will leave

\$1,400,000 remaining of the 1994 MOU. The purchase of additional equipment for the IMM will be requested by U. T. Health Science Center - Houston from the remaining funds at a future date.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Build-out of the Ninth Floor of the Denton A. Cooley Building and purchase of equipment for the Institute of Molecular Medicine project at U. T. Health Science Center - Houston at a total project cost of \$8,700,000, with funding from Permanent University Fund Bond Proceeds.

7. U. T. M. D. Anderson Cancer Center - Ambulatory Clinical Building: Request to Amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to Include Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that the U. T. Board of Regents amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Ambulatory Clinical Building project at U. T. M. D. Anderson Cancer Center at a preliminary project cost of \$299,000,000, with funding of \$240,000,000 from Revenue Financing System Bond Proceeds and \$59,000,000 from Hospital Revenues.

BACKGROUND INFORMATION

The Ambulatory Clinical Building project at U. T. M. D. Anderson Cancer Center involves the construction of a new 12 to 15-story facility of approximately 600,000 gross square feet, which will include centers and clinics, out-patient diagnostic treatment/surgery space, imaging services, staff offices, administrative and support services, and a parking garage to house approximately 2,400 vehicles. The project will be located on the Houston Main Building (HMB) site and comprises Phase I of the HMB site development. The Ambulatory

Clinical Building will connect to the Alkek Tower via an above-grade pedestrian bridge that extends through the Texas Medical Center's Parking Garage 2. U. T. M. D. Anderson Cancer Center has provided to U. T. Health Science Center - Houston an option to lease 80,000 square feet of the new building to accommodate growth of that institution.

This project responds to a demand for U. T. M. D. Anderson Cancer Center services that has increased over the last several years. The most recent projections indicate a deficit of over 120,000 square feet in exam and procedure space in the main complex for clinical purposes, with more unmet needs in diagnostic imaging, ambulatory treatment and surgery, and other support services such as pharmacy and laboratory medicine.

This project will accelerate U. T. M. D. Anderson Cancer Center's Campus Master Plan in order to meet these demands for services and space. Over this phased development plan, the HMB site could eventually include 1.5 million square feet of clinical space.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to include the Ambulatory Clinical Building project at U. T. M. D. Anderson Cancer Center at a preliminary project cost of \$299,000,000, with funding of \$240,000,000 from Revenue Financing System Bond Proceeds and \$59,000,000 from Hospital Revenues.

This project was determined to be "of special interest" to the Board during the Facilities Planning and Construction Committee meeting on April 3, 2000. Two members of the Board appointed by Chairman Evans will be members of the institutional Architect Selection Advisory Committee as authorized by Part Two, Chapter VIII, Section 1, Subsection 1.3 of the Regents' Rules and Regulations if the project is approved.

**Facilities, Planning & Construction
Committee**

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE
Committee Chairman Clements

Date: May 11, 2000
Time: Following the Meeting of the Health Affairs Committee
Place: Board Room, 9th Floor, Ashbel Smith Hall

	<u>Page</u>
1. U. T. System: Request to Approve Campus Master Plans for U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. Tyler, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler	133
2. U. T. Arlington - Residence Hall (Project No. 301-991): Request for Approval to Redesignate Project	134
3. U. T. Austin: Request for Approval to Name Building (Regents' <u>Rules and Regulations</u> , Part One, Chapter VIII, Section 1, Honorific Namings)	135
4. U. T. Austin - McDonald Observatory Visitors' Center (Project No. 102-921): Request for Approval to Revise Total Project Cost and Appropriation of Funds and Authorization of Expenditure	136
5. U. T. Dallas - McDermott Library Renovation - Phase II (Project No. 302-928): Request for Approval to Revise Total Project Cost and Appropriation of Funds	137
6. U. T. El Paso - Student Housing (Project No. 201-009): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	138

7.	U. T. Pan American - Campus Entrance/Traffic Flow: Request to Authorize Institutional Management of Project	144
8.	U. T. Tyler - Longview University Center (Project No. 802-949): Request for Approval to Name Building (Regents' <u>Rules and Regulations</u> , Part One, Chapter VIII, Section 1, Honorific Namings)	145
9.	U. T. Medical Branch - Galveston - BSL-4 Laboratory Facility (Project No. 601-989): Request for Approval of Design Development Plans; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure	146
10.	U. T. Medical Branch - Galveston - Multipurpose Research Building: Request for Approval to Redesignate Repair and Rehabilitation Project and Appropriation of Funds	148
11.	U. T. Health Science Center - Houston - Brownsville Public Health Division of the Regional Academic Health Center (Project No. 701-995): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity	150
12.	U. T. M. D. Anderson Cancer Center - Basic Sciences Research Building: Request for Approval of Revised Preliminary Project Cost; Approval of Design Development Plans for Basic Sciences Research Building, Phase I - Utilities Infrastructure Prework and Excavation; and Appropriation of Funds and Authorization of Expenditure	155
13.	U. T. M. D. Anderson Cancer Center - Bone Marrow Transplantation Laboratory: Request to Authorize Institutional Management of Project	157

1. U. T. System: Request to Approve Campus Master Plans for U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. Tyler, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellors for Academic Affairs, Business Affairs, and Health Affairs and Presidents Witt, Garcia, Jenifer, Mabry, Mendelsohn, and Garvey that the U. T. Board of Regents approve the Campus Master Plans developed and submitted by The University of Texas at Arlington, The University of Texas at Brownsville, The University of Texas at Dallas, The University of Texas at Tyler, The University of Texas M. D. Anderson Cancer Center, and The University of Texas Health Center at Tyler.

BACKGROUND INFORMATION

A presentation made to the Facilities Planning and Construction Committee (FPCC) on July 7, 1998, outlined the status of existing campus master planning efforts at each U. T. System component institution. As a follow-up to the July 7 meeting, the Committee members requested that each Campus Master Plan address specific elements and that a summary of this information be available at U. T. System. Chancellor Cunningham distributed a memorandum to the presidents outlining the essential elements that should be addressed in each Campus Master Plan. The Office of Facilities Planning and Construction was assigned the overall responsibility to coordinate all Campus Master Plan development efforts for the U. T. System component institutions and to provide summaries of all Campus Master Plans to the FPCC.

At the February 2000 U. T. Board of Regents' meeting, Campus Master Plan Executive Summaries were approved for U. T. Austin, U. T. El Paso, U. T. Pan American, and U. T. Permian Basin.

Six additional Campus Master Plan Executive Summaries have been reviewed by the FPCC. Final edits have been completed by incorporating comments from FPCC

members, and it is now requested that Campus Master Plans be approved for U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. Tyler, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler.

Drafts of additional Campus Master Plans have been submitted to the FPCC and Executive Summaries of these Plans will be brought before the U. T. Board of Regents as these reviews are completed.

2. U. T. Arlington - Residence Hall (Project No. 301-991): Request for Approval to Redesignate Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Witt that the U. T. Board of Regents redesignate the Residence Hall project at U. T. Arlington as Arlington Hall.

BACKGROUND INFORMATION

The Residence Hall project at U. T. Arlington is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$22,000,000. The project will be completed for student use in Fall 2000.

U. T. Arlington has requested that the project be redesignated as Arlington Hall, which was the name of the first residence hall constructed on the campus at the start of the 20th Century (1902-03). This project is the first residence hall to be constructed in the 21st Century and the first residence hall ever constructed by U. T. Arlington.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to redesignate the Residence Hall project at U. T. Arlington as Arlington Hall.

3. U. T. Austin: Request for Approval to Name Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Honorific Namings)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Faulkner that the U. T. Board of Regents name The Commons at the J. J. Pickle Research Campus at U. T. Austin as the J. Neils Thompson Commons Building to recognize the significant contributions and commitment of Professor J. Neils Thompson to the Research Campus.

BACKGROUND INFORMATION

The Commons is a primary gathering place on the U. T. Austin J. J. Pickle Research Campus and includes meeting and conference rooms and the campus cafeteria. Within the building, students, faculty, staff, and outside professionals attending conferences have a chance for interaction and exchange of ideas outside of the laboratory.

The requested redesignation of The Commons as the J. Neils Thompson Commons Building is in honor of the first Director of the Research Campus, Professor J. Neils Thompson.

Fifty years ago, Professor Thompson was responsible for the University acquiring the 400 acres, now known as the J. J. Pickle Research Campus, to accommodate the growing need for research facilities. As Director of the Research Campus, Professor Thompson oversaw the origination and maintenance of preeminent research programs in a variety of engineering and natural science disciplines. He was an internationally renowned civil engineer and member of the National Academies of Science and Engineering. Professor Thompson was also prized in the classroom and supervised a large number of M.S. and Ph.D. students and an active research program in several engineering fields.

Naming The Commons in Professor Thompson's honor is an appropriate tribute to his memory and commemorates his outstanding leadership and remarkable contributions to the furtherance of applied research at U. T. Austin.

The naming of the J. Neils Thompson Commons Building at the J. J. Pickle Research Campus at U. T. Austin is consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, regarding honorific namings, and institutional guidelines on the naming of buildings.

4. U. T. Austin - McDonald Observatory Visitors' Center (Project No. 102-921): Request for Approval to Revise Total Project Cost and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Revise the total project cost for the McDonald Observatory Visitors' Center at U. T. Austin from \$4,275,000 to \$5,750,000
- b. Appropriate additional funds and authorize expenditure of \$1,475,000, with funding from Gifts and Grants.

BACKGROUND INFORMATION

The McDonald Observatory Visitors' Center at U. T. Austin is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$4,275,000, with total project funding from Gifts and Grants.

This project consists of renovation of 2,150 gross square feet in the existing Visitors' Center for staff offices; a new building of approximately 11,000 gross square feet to house an auditorium, classroom, exhibit space, additional public rest rooms, office space, and increased storage; and an outdoor Astronomy Park for amateur astronomy, public education, and donor recognition.

Design development plans for this project were approved by the U. T. Board of Regents in November 1997. The project has been delayed, pending receipt of gift funding. With the generous support of donors, gift funding has been secured and the project can proceed. The proposed funding increase is a result of moving funds for the purchase of exhibits, furnishings, and equipment, which were previously outside of the capital project budget into the total project cost and of cost escalations that have occurred since the initial design.

Approval of this item will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to increase the total project cost for the McDonald Observatory Visitors' Center project at U. T. Austin from \$4,275,000 to \$5,750,000, with additional funding of \$1,475,000 from Gifts and Grants.

5. U. T. Dallas - McDermott Library Renovation - Phase II (Project No. 302-928): Request for Approval to Revise Total Project Cost and Appropriation of Funds

RECOMMENDATION

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

- a. Revise the total project cost for the McDermott Library Renovation - Phase II at U. T. Dallas from \$1,000,000 to \$3,000,000
- b. Appropriate additional funds of \$2,000,000, with funding from Gifts and Grants.

BACKGROUND INFORMATION

The McDermott Library Renovation - Phase II project at U. T. Dallas is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a total project cost of \$1,000,000, with funding from Permanent University Fund Bond Proceeds.

This project was originally scheduled for institutional management; however, recent contributions to the project funding allow additional renovation work to be accomplished, making the project scope more appropriate for management by the Office of Facilities Planning and Construction. Renovation will include upgrades to meet life safety requirements and changes for operational efficiencies.

Approval of this item for the McDermott Library Renovation - Phase II project at U. T. Dallas will amend the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget to increase the total project cost from \$1,000,000 to \$3,000,000, with additional funding of \$2,000,000 from Gifts and Grants.

6. U. T. El Paso - Student Housing (Project No. 201-009): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Approve design development plans for the Student Housing project at U. T. El Paso
- b. Approve a total project cost of \$15,000,000

- c. Appropriate funds and authorize expenditure of \$15,000,000, with funding from Revenue Financing System Bond Proceeds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 141, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$15,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Student Housing project at U. T. El Paso is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$15,000,000, with funding from Revenue Financing System Bond Proceeds.

The purpose of this project is to address the need for the presence of on-campus housing for students. The project site is located at the northeast end of the campus and was selected because of its access to campus amenities, nearby commercial services, and relatively level grading.

This project consists of the construction of approximately 126,000 gross square feet of new apartment housing that will accommodate over 400 residents. The new housing will be divided into multiple buildings. Each building, or group of buildings, will have a resident assistant and laundry facility. Spaces will include a combination of four-bedroom and two-bedroom suites and efficiencies that will provide varying levels of privacy and affordability. In addition to residential living facilities, there will be a special function/commons area, including an assembly/lecture hall and administrative offices. Exterior commons areas will include a sand volleyball court, outdoor gazebos, picnic/seating areas, and open activity areas.

The debt is to be repaid from revenues generated by the new student housing project upon completion in FY 2002 and transfers from designated tuition funds during the construction period. Annual debt service during the construction period is projected to be \$168,750 in FY 2000 and \$506,250 in FY 2001, assuming a 4.5% short-term borrowing rate. In FY 2002, the annual debt service is projected to be \$1,361,346 based on a 6.5% long-term borrowing rate with a 20-year amortization period. The annual debt service coverage is expected to be at least 1.2 times. The financing forecast for this project is set forth on Pages 142 - 143.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Director of Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Student Housing project at U. T. El Paso, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 5th day of April, 2000

/s/ Terry Hull

Director of Finance

**The University of Texas at El Paso
Student Housing Project**

Project Level: (Actual \$)

	Actual			Forecast				
	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Beginning Balance	20,000	(0)	116,803	187,071	259,447	309,212	575,294	890,109
Current Housing Revenue	969,659	768,927	802,014	826,074	826,074	-	-	-
Proposed New Student Housing						1,893,474	1,949,978	2,008,178
Transfer from Designated Tuition				168,750	506,250	195,000	195,000	195,000
Total Revenues	969,659	768,927	802,014	994,824	1,332,324	2,088,474	2,144,978	2,203,178
Operating Expenses	(905,308)	(620,610)	(731,746)	(753,698)	(776,309)	(461,046)	(468,818)	(512,889)
Net Revenues	64,351	148,317	70,268	241,126	556,015	1,627,428	1,676,160	1,690,289
Mandatory Transfers								
New Housing Debt Service				(168,750)	(506,250)	(1,361,346)	(1,361,346)	(1,361,346)
Total Debt Service	-	-	-	(168,750)	(506,250)	(1,361,346)	(1,361,346)	(1,361,346)
Nonmandatory Transfers	(84,351)	(31,514)						
Total Transfers	(84,351)	(31,514)	-	(168,750)	(506,250)	(1,361,346)	(1,361,346)	(1,361,346)
Change in Fund Balance	(20,000)	116,803	70,268	72,376	49,765	266,082	314,814	328,943
Ending Fund Balance	(0)	116,803	187,071	259,447	309,212	575,294	890,109	1,219,052
Debt Service Coverage					1.10	1.20	1.23	1.24

**The University of Texas at El Paso
Student Housing Project**

Campus Level: (\$ in millions)	Actual			Forecast				
	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Beg. Fund Balance	13.5	14.4	20.4	20.9	21.9	19.6	1.4	3.1
Total Current Unrestricted Revenues	116.8	128.1	129.5	143.8	144.4	146.4	148.7	151.1
Total Current Unrestricted Expenditures	(109.6)	(116.6)	(120.2)	(131.1)	(130.6)	(133.1)	(135.7)	(138.2)
Net Revenues	7.2	11.5	9.3	12.7	13.8	13.3	13.0	12.9
Debt Service	(4.6)	(4.7)	(5.6)	(6.8)	(8.7)	(9.4)	(8.9)	(8.2)
Other Mand. Transfers	0.0	(0.1)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Total Mand. Transfers	(4.6)	(4.8)	(5.6)	(6.8)	(8.7)	(9.4)	(8.9)	(8.2)
Nonmandatory Transfers	(1.6)	(0.7)	(3.1)	(4.7)	(7.3)	(2.3)	(2.3)	(2.4)
Adjustments	(0.2)	(0.1)	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Net Inc./ (Dec.) for Year	0.9	6.0	0.4	1.1	(2.3)	1.5	1.7	2.2
End. Fund Balance	14.4	20.4	20.9	21.9	19.6	21.1	3.1	5.3
Debt Service Coverage	1.6	2.4	1.7	1.9	1.6	1.4	1.5	1.6
Debt Service to Operating Expenses	4.2%	4.0%	4.7%	5.2%	6.7%	7.1%	6.6%	5.9%

U.T. System (\$ in millions)	Actual			Forecast				
	<u>FY 97</u>	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>
Available Revenues	3,900.3	4,208.7	4,363.1	4,588.8	4,670.5	4,778.7	4,851.8	4,971.5
Operating Expenses	(3,657.7)	(3,911.5)	(4,166.5)	(4,298.3)	(4,391.3)	(4,481.5)	(4,574.1)	(4,665.5)
Net Available for Debt Serv.	242.6	297.2	196.6	290.5	279.2	297.2	277.7	306.0
Other Mandatory Transfers	(1.8)	(1.3)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
Debt Service	(73.5)	(84.8)	(95.5)	(123.6)	(142.9)	(145.7)	(135.8)	(141.5)
Debt Service Coverage	3.2	3.5	2.0	2.3	1.9	2.0	2.0	2.1
Debt Service to Operating Expenses	2.0%	2.2%	2.3%	2.8%	3.3%	3.3%	3.1%	3.1%

7. U. T. Pan American - Campus Entrance/Traffic Flow: Request to Authorize Institutional Management of Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Nevárez that the U. T. Board of Regents authorize U. T. Pan American to provide local management of the total project budgets, to appoint architects, to approve facility programs, to prepare final plans, and to award contracts associated with the Campus Entrance/Traffic Flow project.

BACKGROUND INFORMATION

The FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget include the Campus Entrance/Traffic Flow project at U. T. Pan American, with funding of \$3,325,000 from Designated Tuition. This project consists of a new entry drive encircling a landscaped plaza to provide an easily identifiable "front door" to the campus, to simplify the access and circulation from University Drive into the campus, and to celebrate the rich landscape heritage of the region. The existing entries on University Drive are inadequate to serve the needs of the campus and present a confusing first impression of the University. The new plaza will also include 57 visitor parking spaces. Currently, the south roadway transits through several parking areas that create safety hazards. The project will redefine the roadway for safer, more efficient use.

The creation of a new entry to the campus is a high priority in the implementation of U. T. Pan American's Campus Master Plan approved by the U. T. Board of Regents in February 2000. The project will be completed in at least two or three phases. Because of the nature of the project, it is requested that this project be administered at the institutional level. U. T. Pan American will follow normal procedures of programming, selection of architects/engineers through the Request

for Qualifications/Request for Proposal process, bidding, and construction administration. However, this project will be brought before the U. T. Board of Regents' Facilities Planning and Construction Committee for design review prior to the bidding process.

8. U. T. Tyler - Longview University Center (Project No. 802-949): Request for Approval to Name Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Honorific Namings)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Mabry that the U. T. Board of Regents name the Longview University Center (formerly Longview Higher Education Center) at U. T. Tyler as the Neal and Peggy Garland Hall to recognize the significant contribution and commitment to U. T. Tyler that Mr. and Mrs. Neal Garland of Longview, Texas, have made to the new facility.

BACKGROUND INFORMATION

The Longview University Center project at U. T. Tyler is included in the FY 2000-2005 Capital Improvement Program at a total project cost of \$5,500,000. The new 24,000 square foot building, the first building in the Longview University Center planned development, will house network-ready classrooms, interactive video access, network file servers, a technology library, and faculty and support staff offices. Site development includes planned pedestrian areas, vehicular access and circulation, parking for approximately 200 vehicles, and infrastructure development.

Neal and Peggy Garland of Longview, Texas, were the driving force behind the creation of the Longview University Center, as well as the selection of U. T. Tyler to operate the new facility. Mr. and Mrs. Garland have made a commitment of

\$1,000,000 for the construction of this project, with the additional commitment of an estimated \$600,000 to provide scholarships for students when the Center opens. Their total commitment of \$1,600,000 represents approximately 32% of the total estimated project cost.

The proposed naming of the Neal and Peggy Garland Hall at U. T. Tyler is consistent with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, and institutional guidelines on the honorific naming of buildings.

9. U. T. Medical Branch - Galveston - BSL-4 Laboratory Facility (Project No. 601-989): Request for Approval of Design Development Plans; Approval of Total Project Cost; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Approve design development plans for the BSL-4 Laboratory Facility project at U. T. Medical Branch - Galveston
- b. Approve a total project cost of \$7,500,000
- c. Appropriate funds and authorize expenditure of \$7,500,000, with funding from Gifts and Grants.

BACKGROUND INFORMATION

The BSL-4 Laboratory Facility project at the U. T. Medical Branch - Galveston is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget with a total project cost of \$7,500,000, with funding from Gifts and Grants.

This project consists of a three-story addition to the existing Keiller Building and some renovation work within the building to accommodate the addition. The combination of new work and renovation work will be approximately 12,500 gross square feet. Biosafety level-4 (BSL-4) containment laboratories are technically advanced facilities with proven construction and engineering technologies. The design, construction, and engineering support system of high containment laboratories must be integrated to achieve the goals of providing a safe environment for the researcher and of minimizing hazards to the outside environments. Safety is an important aspect when planning, detailing, and developing the appropriate architectural and engineering systems for high containment laboratories.

During the past decade, U. T. Medical Branch - Galveston has developed a strong program in infectious disease research. Several faculty members have research interests in emerging and reemerging infectious diseases, including those caused by BSL-4 agents. Consequently, U. T. Medical Branch - Galveston is in the position of having an internationally recognized group of emerging infectious disease researchers at a time when this subject is of critical importance to public health and public interest. For the institution to continue making important discoveries impacting health through infectious disease research and training and to take full advantage of the many new funding opportunities in the area of emerging diseases, U. T. Medical Branch - Galveston must develop a BSL-4 Laboratory Facility that can handle such infectious agents. This project supports the institution's Strategic Plan of being a preeminent research facility of national and international importance, built upon interdisciplinary collaborative research, and it meets the draft Campus Master Plan emphasis of responding to changes in the health-care industry, as these relate to patient care, teaching, and research.

10. U. T. Medical Branch - Galveston - Multipurpose Research Building: Request for Approval to Redesignate Repair and Rehabilitation Project and Appropriation of Funds

RECOMMENDATION

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

- a. Approve redesignation of the Multipurpose Research Building repair and rehabilitation project at U. T. Medical Branch - Galveston to the Research Facilities Expansion project
- b. Appropriate funds of \$30,000,000 from Gifts and Grants and \$18,000,000 from Permanent University Fund Bond Proceeds.

BACKGROUND INFORMATION

The Multipurpose Research Building project at U. T. Medical Branch - Galveston is included in the FY 2000-2005 Capital Improvement Program at a preliminary project cost of \$48,000,000, with funding of \$30,000,000 from Gifts and Grants and \$18,000,000 from Permanent University Fund Bond Proceeds. It is recommended that this repair and rehabilitation project be redesignated as the Research Facilities Expansion project.

This project will renovate approximately 200,000 gross square feet of existing campus clinical facilities to enable U. T. Medical Branch - Galveston to provide the space and resources necessary for important research activities. The current laboratory space is being fully utilized, so that any growth in activity will need to be accompanied by additional facilities. In addition, the BSL-4 Laboratory Facility project currently under design (see Item 9 on Page 146) will have a dramatic catalytic effect on the already-growing research program. The draft Campus Master

Plan calls for the shift of clinical activities to the east side of the campus to allow more appropriate physical access for patients and visitors. This shift will create opportunities for facility reuse. The University Hospital Clinics Building at approximately 200,000 gross square feet will be the largest increment of space vacated by the shift in clinical facilities. The renovation project will provide essential laboratory, office, and support space for the institution.

U. T. Medical Branch - Galveston is experiencing a dramatic increase in externally-funded research. Total research awards for FY 1999 were \$100,000,000, representing a doubling of research awards since 1991, and an 18% increase over the past biennium. Additional research space is needed to maintain adequate wet and dry laboratory space to handle the current and anticipated research over the next few years. Adequate research space ensures that U. T. Medical Branch - Galveston will attract and retain qualified and talented faculty. This project supports the institution's core value of education and the draft Campus Master Plan emphasis on responding to changes in the health care industry as these relate to teaching and research, and it meets the U. T. System Capital Improvement Program directive to place priorities on the renovation and maintenance of existing facilities.

With approval of this item, the Research Facilities Expansion project will proceed with project design and will be brought to the Chancellor for approval of design development plans and authorization for expenditure of funds at a future date.

11. U. T. Health Science Center - Houston - Brownsville Public Health Division of the Regional Academic Health Center (RAHC) (Project No. 701-995): Request for Approval of Design Development Plans; Approval of Total Project Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity

RECOMMENDATION

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

- a. Approve design development plans for the Brownsville Public Health Division of the Regional Academic Health Center (RAHC) for the U. T. Health Science Center - Houston
- b. Approve a total project cost of \$5,000,000
- c. Appropriate funds and authorize expenditure of \$5,000,000, with funding from Tuition Revenue Bond Proceeds for total project funding.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 153, the U. T. Board of Regents resolves that:

- a. Parity Debt shall be issued to pay the project's cost, including any project costs prior to the issuance of such Parity Debt

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System
- c. U. T. component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$5,000,000
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

BACKGROUND INFORMATION

The Brownsville Public Health Division of the RAHC project for the U. T. Health Science Center - Houston is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$5,000,000, with funding from Tuition Revenue Bond Proceeds. The 74th Texas Legislature established a Lower Rio Grande Valley Regional Academic Health Center (RAHC). U. T. Health Science Center – Houston's responsibility for the program includes establishing a School of Public Health branch operation.

The project will construct a new 25,000 gross square foot building on the U. T. Brownsville campus for a School of Public Health for the RAHC. The facility is being designed to conform with U. T. Brownsville's architectural character.

The intent of the project is to provide state-of-the-art learning facilities, space for ongoing related research, and a series of shared support spaces that promote interaction and community among the scientists and staff. The building will contain administrative offices, classrooms with distance learning capabilities, project rooms, study areas, biosafety level-2 laboratories and building service areas.

In 1997, the 75th Texas Legislature authorized \$30,000,000 of tuition bonds to be issued for the RAHC project. The issuance of the \$25,000,000 tuition bonds for the Harlingen Medical Education Division of the RAHC was approved by the U. T. Board of Regents at the February 10, 2000 meeting. An additional \$5,000,000 of tuition bond authority remains for the Brownsville Public Health Division of the RAHC. The debt service coverage for the \$5,000,000 is reflected on Page 154. This project financing assumes interim financing at a 4.5% interest rate for FY 2000 and a 6.5% interest rate for 20 years with the fixed rate borrowing to occur in FY 2001.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Director of Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Brownsville Public Health Division of the RAHC, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, the Seventh Supplemental Resolution, the Eighth Supplemental Resolution, and the Ninth Supplemental Resolution.

EXECUTED this 5th day of April, 2000

/s/ Terry Hull

Director of Finance

**The University of Texas System
Revenue Financing System
Debt Service Coverage
(\$ in millions)**

	Actual			Forecast				
	FY 97	FY 98	FY 99	FY 2000	FY 01	FY 02	FY 03	FY 04
Available Revenues	3,900.3	4,208.7	4,363.1	4,588.8	4,670.5	4,778.7	4,851.8	4,971.5
Operating Expenses	(3,657.7)	(3,911.5)	(4,166.5)	(4,298.3)	(4,391.3)	(4,481.5)	(4,574.1)	(4,665.5)
Net Revenues Available for Debt Service	242.6	297.2	196.6	290.5	279.2	297.2	277.7	306.0
Other Mandatory Transfers	(1.8)	(1.3)	(0.8)	(0.9)	(0.9)	(1.0)	(1.0)	(1.0)
Debt Service:								
Non - Tuition Related	(51.8)	(65.1)	(55.6)	(70.3)	(77.0)	(73.5)	(68.0)	(66.0)
Tuition Debt Service								
Bonds issued prior to 1993	(7.7)	(7.1)	(7.2)	(7.7)	(7.7)	(7.7)	0.0	0.0
South Texas Border Initiative Debt	(14.0)	(12.6)	(13.1)	(13.1)	(13.1)	(13.2)	(13.2)	(13.2)
Debt Authorized by 75th Legislature								
Tuition Bonds issued during FY98 and FY99			(8.5)	(13.7)	(15.7)	(15.7)	(15.7)	(15.7)
Approved by BOR 2/00-\$25 mil				(1.25)	(2.36)	(2.36)	(2.36)	(2.36)
Recommended to BOR 5/00-\$5 mil				(0.06)	(0.45)	(0.45)	(0.45)	(0.45)
Remaining Tuition Project Financing			(11.2)	(1.57)	(2.72)	(2.72)	(2.72)	(2.72)
TOTAL DEBT SERVICE	(73.5)	(84.8)	(95.5)	(107.6)	(118.9)	(115.5)	(102.3)	(100.3)
Debt Service Coverage Without Tuition Bonds (x)	4.5	4.5	3.5	4.1	3.6	4.0	4.0	4.6
Debt Service Coverage With Tuition Bonds (x)	3.2	3.5	2.0	2.7	2.3	2.6	2.7	3.0

12. U. T. M. D. Anderson Cancer Center - Basic Sciences Research Building: Request for Approval of Revised Preliminary Project Cost; Approval of Design Development Plans for Basic Sciences Research Building, Phase I - Utilities Infrastructure Prework and Excavation; and Appropriation of Funds and Authorization of Expenditure

RECOMMENDATION

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

- a. Revise the preliminary project cost for the Basic Sciences Research Building at U. T. M. D. Anderson Cancer Center from \$137,200,000 to \$174,600,000, with additional funds of \$37,400,000 from Hospital Revenues
- b. Approve design development plans for Basic Sciences Research Building, Phase I - Utilities Infrastructure Prework and Excavation
- c. Appropriate funds and authorize expenditure of \$10,000,000 for Basic Sciences Research Building, Phase I - Utilities Infrastructure Prework and Excavation, with funding from Gifts and Grants.

BACKGROUND INFORMATION

The Basic Sciences Research Building project at U. T. M. D. Anderson Cancer Center is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget at a preliminary project cost of \$137,200,000, with funding of \$30,000,000 from Permanent University Fund Bond Proceeds, \$32,200,000 from Revenue Financing System Bond Proceeds, and \$75,000,000 from Gifts and Grants.

The Basic Sciences Research Building project as approved consists of construction of a facility of approximately 425,000 gross square feet dedicated to research and vivarium space. Planning for the phased development of an animal research facility and negotiations for the joint Texas Medical Center Research Campus development were pending at the time the FY 2000-2005 Capital Improvement Program was submitted. U. T. M. D. Anderson Cancer Center has now completed the programming for the vivarium and negotiations with the Texas Medical Center and Baylor College of Medicine, and the Basic Sciences Research Building requires additional space for proper facility functionality as part of a multibuilding complex. The additional space includes space for public circulation, multi-institutional conferences, and general use, as well as additional build-out of previously planned shell space for full barrier, vivarium facilities. Further, space planning for the Graduate School of Biomedical Sciences, to be relocated to the Basic Sciences Research Building as a joint program with the U. T. Health Science Center - Houston, requires the addition of classroom, seminar, and computer laboratory space to permit consolidation at a single location.

Finally, significant increases in nationally-recognized research opportunities and the ability to recruit nationally-recognized research scientists have created a demand for sophisticated laboratory space in what was previously designed as shell space for later build-out.

The scope and budget increase for the project also provide for contingencies. Advisories from industry trade groups and estimates by construction consultants recommend budget contingencies of 15-18% for work commencing during Calendar Year 2000. Recent bidding experience with the Faculty Center project revealed significant price inflation because of the high level of construction activity in the Houston area.

The site for the project is the Texas Medical Center K-Lot. Baylor College of Medicine and the Texas Medical Center are planning simultaneous construction of facilities on adjacent sites during the construction of the Basic Sciences Research Building. A detailed site utility master plan was commissioned during December 1999. U. T. M. D. Anderson Cancer Center's analysis of the plan indicates that utility prework must begin prior to the start of the major excavation. Further, U. T. M. D. Anderson Cancer Center must begin excavation simultaneously with the excavation of the Texas Medical Center Parking Garage to avoid premium costs for retention systems. The excavation work for the project will mean inadequate access to the Bertner Complex dock for 18 months; therefore, an alternative pathway will be created in advance of the excavation work.

The scope of the Basic Sciences Research Building, Phase I – Utilities Infrastructure Prework and Excavation includes the demolition of the site pathway; excavation for utilities access along Moursund Street; installation of water, wastewater, and storm water lines; fill of the excavation; over-paving of the site with a road surface to provide for a logistics pathway; and finally, excavation for the main building.

Baylor College of Medicine has signed a Memorandum of Understanding to contribute to the cost of the utility corridor infrastructure on a pro rata basis. The Baylor College of Medicine contribution is subject to approval of its Research Tower project (northeast of the K-Lot site) and confirmation of its use of the utility corridor infrastructure, if any, in the future.

The requested appropriation of \$10,000,000 for the Basic Sciences Research Building, Phase I – Utilities Infrastructure Prework and Excavation is included in the \$137,200,000 preliminary project cost of the Basic Sciences Research Building project. A request to approve design development for the Basic Sciences Research Building is planned for the August 2000 U. T. Board of Regents' meeting.

13. U. T. M. D. Anderson Cancer Center - Bone Marrow Transplantation Laboratory: Request to Authorize Institutional Management of Project

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and President Mendelsohn that the U. T. Board of Regents authorize U. T. M. D. Anderson Cancer Center to locally manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts associated with the Bone Marrow Transplantation Laboratory project.

BACKGROUND INFORMATION

The Bone Marrow Transplantation Laboratory project at U. T. M. D. Anderson Cancer Center is included in the FY 2000-2005 Capital Improvement Program and the FY 2000-2001 Capital Budget, with funding of \$4,100,000 from Hospital Revenues.

The institution requires a lab to support cellular and molecular therapeutics that meets existing U. S. Food and Drug Administration (FDA) regulations. The FDA has indicated that biological agents and extensively-manipulated hematopoietic cellular transplants must be prepared under Good Manufacturing Practices (GMP) conditions and has issued regulations governing marrow and blood stem cell transplantation. This lab is critical for the Bone Marrow Transplantation (BMT) program, which is directed towards optimization of cellular and molecular therapy delivered as autologous or allogeneic blood and marrow transplants.

This project will renovate approximately 15,000 gross square feet on the 14th floor of the Lutheran Hospital Pavilion to accommodate a GMP group, BMT laboratory facility, and office support. This requires total demolition and rebuild, including mechanical, electrical, and plumbing systems, to meet FDA requirements.

U. T. M. D. Anderson Cancer Center has developed a staff of professional project managers that are trained to execute clinical renovation projects under the difficult conditions of construction in occupied space. They are also trained to maintain specialized conditions required in hospital operations such as infection control, Joint Commission on Accreditation of Healthcare Organizations interim life safety codes, and critical utility systems. They also work closely with facilities operating personnel and medical/nursing staff to coordinate construction activities with minimal disruption. Because of the nature of the work and the specialized ability of U. T. M. D. Anderson Cancer Center personnel, it has been determined that U. T. M. D. Anderson Cancer Center is best able to manage the Bone Marrow Transplantation Laboratory project.

Other Matters

N. RECONVENE AS COMMITTEE OF THE WHOLE

O. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

REPORT

The Board for Lease of University Lands met and held an oil and gas lease sale on November 17, 1999, in Houston, Texas. Tracts totaling 30,637.184 acres of Permanent University Fund lands will be offered for lease in the upcoming Regular Oil and Gas Lease Sale No. 97 to be held on May 17, 2000, at the Center for Energy and Economic Diversification in Midland, Texas.

P. REPORT OF SPECIAL COMMITTEE

U. T. Board of Regents: Report on Ad Hoc Long Range Planning Committee

REPORT

Committee Chairman Woody L. Hunt will report on the activities of the U. T. Board of Regents' ad hoc Long Range Planning Committee established by Board Chairman Evans on February 10, 2000.

Q. OTHER MATTERS

1. U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for December 1, 1999 Through February 29, 2000

(See Pages 160 - 164.)

ACCEPTANCE OF GIFTS HELD BY BOARD
December 1, 1999 Through February 29, 2000

# ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES						MATCHING FUNDS	TOTAL VALUE
		CASH	SECURITIES	REAL ESTATE	PLEDGES	OTHER	TRANSFERS		
3	U. T. Arlington	\$ 48,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,000
60	U. T. Austin	\$ 6,898,678	\$ 4,640,423	\$ -	\$ 4,290,354	\$ -	\$ 1,153,500	\$ -	\$ 15,972,956 *
3	U. T. Dallas	\$ -	\$ 10,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,106
9	U. T. El Paso	\$ 274,415	\$ -	\$ -	\$ 13,000	\$ -	\$ -	\$ -	\$ 287,415
39	U. T. Pan American	\$ 499,718	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 499,718
3	U. T. Brownsville	\$ 28,600	\$ -	\$ -	\$ 6,400	\$ -	\$ 100,000	\$ -	\$ 135,000
2	U. T. San Antonio	\$ 16,220	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,220
4	U. T. Tyler	\$ 1,335,884	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,335,884
56	U. T. SWMC-Dallas	\$ 1,484,290	\$ 1,250,000	\$ -	\$ 1,039,943	\$ -	\$ 1,471,195	\$ 2,231,295	\$ 4,274,233 *
14	U. T. M.B.-Galveston	\$ 205,002	\$ 130,862	\$ -	\$ -	\$ -	\$ 121,575	\$ -	\$ 457,439
11	UTHSC-Houston	\$ 475,749	\$ 99,251	\$ -	\$ 610,200	\$ -	\$ 18,817	\$ -	\$ 1,204,017
7	UTHSC-San Antonio	\$ 397,470	\$ 59,830	\$ -	\$ -	\$ -	\$ 16,500	\$ -	\$ 473,800
9	UTMDACC	\$ 1,072,941	\$ 35,960	\$ -	\$ 500,000	\$ -	\$ 167,500	\$ -	\$ 1,776,400
220	TOTAL	\$ 12,736,967	\$ 6,226,432	\$ -	\$ 6,459,898	\$ -	\$ 3,049,087	\$ 2,231,295	\$ 26,491,189

* Not included in total: U. T. Austin - \$1,010,000 transfer of endowment funds;
U. T. SWMC-Dallas - \$2,231,294.66 of Board-held matching funds and \$ 971,195.02 transfer of previously accepted funds.

NOTE: Compiled by Office of Development and External Relations

CLASSIFICATION OF GIFTS AND OTHER ACTIONS

December 1, 1999 Through February 29, 2000

<u>COMPONENT INSTITUTION</u>	<u>ENDOWMENTS</u>	<u>CHARITABLE REMAINDER TRUSTS</u>	<u>POOLED INCOME FUND</u>	<u>REMAINDER INTERESTS</u>	<u>HELD IN TRUST BY OTHERS</u>	<u>CURRENT PURPOSE</u>	<u>OTHER</u>
U. T. Arlington	3	---	---	---	---	---	---
U. T. Austin	57	---	---	---	3	---	---
U. T. Dallas	3	---	---	---	---	---	---
U. T. El Paso	9	---	---	---	---	---	---
U. T. Pan American	2	---	---	---	37	---	---
U. T. Brownsville	3	---	---	---	---	---	---
U. T. San Antonio	2	---	---	---	---	---	---
U. T. Tyler	4	---	---	---	---	---	---
U. T. SWMC-Dallas	20	---	---	---	36	2	---
U. T. M.B.-Galveston	14	---	---	---	---	---	---
UTHSC-Houston	10	---	---	---	1	---	---
UTHSC-San Antonio	7	---	---	---	---	---	---
UTMDACC	6	---	---	---	---	3	---
TOTAL	140	0	0	0	77	5	0

PURPOSES OF GIFTS HELD BY BOARD AND OTHERS

December 1, 1999 Through February 29, 2000

COMPONENT INSTITUTION	ENDOWMENT								CURRENT PURPOSE	OTHER PURPOSE
	DIST. CHAIR	CHAIR	DIST. PROF'SHIP	PROF'SHIP	FACULTY FELLOWSHIP	GRADUATE FELLOWSHIP	SCHOLARSHIP	OTHER		
U. T. Arlington	---	---	---	---	---	---	3	---	---	---
U. T. Austin	---	4	---	---	1	2	28	19	---	---
U. T. Dallas	---	---	---	---	---	---	---	1	---	---
U. T. El Paso	---	---	---	---	---	---	5	3	---	---
U. T. Pan American	---	---	---	1	---	---	22	5	1	---
U. T. Brownsville	---	---	---	---	---	---	3	---	---	---
U. T. San Antonio	---	---	---	---	---	---	1	---	---	---
U. T. Tyler	---	---	---	---	---	---	3	1	---	---
U. T. SWMC-Dallas	4	5	---	1	---	---	12	25	2	---
U. T. M.B.-Galveston	---	---	---	2	---	---	7	4	---	---
UTHSC-Houston	---	2	1	1	---	---	2	3	---	---
UTHSC-San Antonio	---	---	1	2	---	---	2	2	---	---
UTMDACC	---	---	---	---	---	---	---	3	3	---
TOTAL	4	11	2	7	1	2	88	66	6	0

Total purposes may not equal the total number of items because some items pertain to multiple purposes.

OTHER ADMINISTRATIVE ACTIONS
December 1, 1999 Through February 29, 2000

<u>COMPONENT</u> <u>INSTITUTION</u>	<u>ESTABLISH</u> <u>ENDOWMENT</u>	<u>REDESIGNATE</u> <u>ENDOWMENT LEVEL</u>	<u>OTHER</u> <u>REDESIGNATION</u>	<u>DISSOLVE</u> <u>ENDOWMENT</u>	<u>APPROVE/ALLOCATE</u> <u>MATCHING</u>	<u>ACCEPT</u> <u>TRUSTEESHIP</u>	<u>OTHER</u>
U. T. Arlington	3	---	---	---	---	---	---
U. T. Austin	53	---	7	---	---	---	---
U. T. Dallas	1	---	1	1	---	---	---
U. T. El Paso	8	---	1	---	---	---	---
U. T. Pan American	28	---	8	2	---	---	---
U. T. Brownsville	3	---	---	---	---	---	---
U. T. San Antonio	1	---	1	---	---	---	---
U. T. Tyler	3	---	---	---	---	---	---
U. T. SWMC-Dallas	42	5	7	---	8	---	---
U. T. M.B.-Galveston	13	---	1	---	---	---	---
UTHSC-Houston	6	3	4	---	---	---	---
UTHSC-San Antonio	6	1	1	---	---	---	---
UTMDACC	3	2	2	---	---	---	---
TOTAL	170	11	33	3	8	0	0

COMPARATIVE SUMMARY OF GIFTS ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS
December 1, 1999 Through February 29, 2000

COMPONENT INSTITUTION	FY 1999 FULL YEAR	FISCAL YEAR 2000			FULL YEAR
		9/1/99 - 11/30/99	12/1/99 - 2/29/00	3/1/00 - 5/31/00	
U. T. System	\$ 95,000	\$ -	\$ -	\$ -	\$ -
U. T. Arlington	\$ 612,441	\$ 22,916	\$ 48,000	\$ -	\$ -
U. T. Austin	\$ 17,668,529	\$ 5,153,374	\$ 15,972,956	\$ -	\$ -
U. T. Dallas	\$ 1,060,674	\$ 1,320,979	\$ 10,106	\$ -	\$ -
U. T. El Paso	\$ 3,180,702	\$ 239,960	\$ 287,415	\$ -	\$ -
U. T. Pan American	\$ 60,674	\$ -	\$ 499,718	\$ -	\$ -
U. T. Brownsville	\$ 110,674	\$ -	\$ 135,000	\$ -	\$ -
U. T. Permian Basin	\$ 210,674	\$ -	\$ -	\$ -	\$ -
U. T. San Antonio	\$ 680,768	\$ 171,056	\$ 16,220	\$ -	\$ -
U. T. Tyler	\$ 260,749	\$ -	\$ 1,335,884	\$ -	\$ -
U. T. SWMC-Dallas	\$ 7,802,087	\$ 1,158,831	\$ 4,274,233	\$ -	\$ -
U. T. M.B.-Galveston	\$ 7,563,732	\$ 1,298,292	\$ 457,439	\$ -	\$ -
UTHSC-Houston	\$ 2,987,214	\$ 20,000	\$ 1,204,017	\$ -	\$ -
UTHSC-San Antonio	\$ 1,375,242	\$ 376,216	\$ 473,800	\$ -	\$ -
UTMDACC	\$ 7,330,854	\$ 632,484	\$ 1,776,400	\$ -	\$ -
UTHC-Tyler	\$ 1,294,378	\$ -	\$ -	\$ -	\$ -
Multi-Component	\$ 170,000	\$ -	\$ -	\$ -	\$ -
TOTAL	\$ 52,464,391	\$ 10,394,108	\$ 26,491,189	\$ -	\$ -

2. U. T. System: Presentation on the Activities of the Office of Federal Relations

REPORT

Mr. Mark Franz, Vice Chancellor for Federal Relations, will present a report on the activities of the U. T. System Office of Federal Relations.

3. U. T. Board of Regents: Presentation of Certificate of Appreciation
4. U. T. Board of Regents: Presentation of Certificate of Appreciation

R. ITEM FOR THE RECORD

U. T. Health Science Center - San Antonio: Appointment of Advisory Committee for the Selection of a President

REPORT

The membership of the Advisory Committee for the Selection of a President for U. T. Health Science Center - San Antonio is herewith reported for the record. This committee has been constituted pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 14, as proposed for revision in Item 1 on Page 4, and includes two additional community/external representative appointments by Chairman Evans.

Advisory Committee for the Selection of a President
for
The University of Texas Health Science Center at San Antonio

System Administration Representatives

Chancellor William H. Cunningham*
Executive Vice Chancellor for Health Affairs Charles B. Mullins
(Chairman)

Board of Regents

Regent Tom Loeffler
Regent A. R. (Tony) Sanchez, Jr.

Presidents

Kern Wildenthal, M.D., President, The University of Texas Southwestern
Medical Center at Dallas
John Mendelsohn, M.D., President, The University of Texas M. D. Anderson
Cancer Center

Faculty Representatives

Barbara H. Boucher, Ph.D., Assistant Professor of Physical Therapy
Lawrence B. Harkless, D.P.M., Professor in the Podiatry Residency Training
Program
Archie A. Jones, D.D.S., Associate Professor of Periodontics

Dean

Steven A. Wartman, M.D., Dean of the Medical School

Student Representatives

Ms. Christine Burgess, Medical School
Ms. Jennifer Stine, Graduate School of Biomedical Sciences

*Executive Vice Chancellor Burck will join the search committee as Interim
Chancellor effective June 1, 2000.

Alumni Association Representative

C. Roger Macias, D.D.S., President of the Alumni Association, Dental School

Nonfaculty Employees

Ms. Judy P. Wolf, Vice President for University Relations
Ms. Noemi Trejo, Administrative Assistant II, Office of the Vice President and
Chief Information Officer

Community/External Representatives

Ricardo G. Cigarroa, M.D.
Dr. Juliet V. Garcia
Mrs. Jocelyn L. Straus
Mr. Gary Woods

S. SCHEDULED EVENTS

1. Board of Regents' Meetings -- 2000

<u>Dates</u>	<u>Locations/Hosts</u>
August 9-10, 2000	Austin - no host
November 15-16, 2000	U. T. Health Center - Tyler

2. Official Commencements -- 2000

May 6	U. T. Tyler
May 12-14	U. T. Arlington
May 13	U. T. Brownsville
	U. T. El Paso
	U. T. Pan American
	U. T. Permian Basin
	U. T. San Antonio
	U. T. Medical Branch - Galveston
	U. T. M. D. Anderson Cancer Center
May 20	U. T. Austin
	U. T. Dallas
May 27	U. T. Health Science Center - San Antonio
June 3	U. T. Southwestern Medical Center - Dallas
June 11	U. T. Health Science Center - Houston

3. Other Events

November 2, 2000

U. T. M. D. Anderson Cancer Center:
University Cancer Foundation Board of
Visitors' Meeting

November 3, 2000

U. T. M. D. Anderson Cancer Center:
Faculty Honors Convocation

T. ADJOURNMENT