

We, the undersigned Members of the Board of Regents of The University of Texas, hereby ratify and approve all actions taken at this meeting to be reflected in the Minutes.

Signed this the 22nd day of October , 1960, A. D.

Merton M. Minter  
Merton M. Minter, M. D.  
Chairman

J. Lee Johnson III  
J. Lee Johnson, III  
Vice-Chairman

J. P. Bryan  
J. P. Bryan, Member

Mrs. Charles Devall  
(Mrs.) Charles Devall, Member

Thornton Hardie  
Thornton Hardie, Member

W. W. Heath  
W. W. Heath, Member

Wales H. Madden Jr.  
Wales H. Madden, Jr., Member

A. G. McNeese Jr.  
A. G. McNeese, Jr., Member


Joe C. Thompson  
Joe C. Thompson, Member

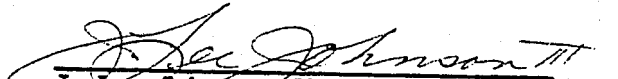
1, 1700.

\* Secretary Thedford was excused from attendance upon this meeting.  
Mrs. Henrietta Jacobsen very graciously recorded the notes for transcription.

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Merton M. Minter, M. D.  
Chairman

  
J. Lee Johnson, III  
Vice-Chairman



# CORRECTION

THIS DOCUMENT  
HAS BEEN REPHOTOGRAPHED  
TO ASSURE LEGIBILITY

21, 1700.

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W. W. Heath  
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Wales H. Madden, Jr.  
Wales H. Madden, Jr., Member

A. G. McNeese, Jr.  
A. G. McNeese, Jr., Member

Joe C. Thompson  
Joe C. Thompson, Member

10-22-60

MEETING NO. 592

OCTOBER 22, 1960. -- The Board of Regents of The University of Texas convened in regular session on Saturday, October 22, 1960, at 11:30 a. m., in the Board Room of the Bank of the Southwest, Houston, Texas.

## ATTENDANCE. --

| <u>Present</u>               | <u>Absent</u>          |
|------------------------------|------------------------|
| Chairman Minter, presiding   | Vice-Chairman Johnson, |
| Regent Bryan                 | excused *              |
| Regent (Mrs.) Devall         |                        |
| Regent Hardie                |                        |
| Regent Heath                 |                        |
| Regent Madden                |                        |
| Regent McNeese               |                        |
| Regent Thompson              |                        |
| Chancellor Wilson            |                        |
| Acting Secretary Jacobsen ** |                        |

Also present among University personnel were:

Mr. Lanier Cox, Vice-Chancellor (Administrative Services)  
 Doctor J. C. Dolley, Vice-Chancellor (Fiscal Affairs)  
 Doctor L. D. Haskew, Vice-Chancellor (Developmental Services)  
 Mr. W. E. Keys, Director of News and Information Service  
 Mr. C. H. Sparenberg, Comptroller  
 Mr. W. W. Stewart, Endowment Officer  
 Mr. Burnell Waldrep, Land and Trust Attorney

Doctor R. Lee Clark, Jr., Director of M. D. Anderson Hospital  
 and Tumor Institute  
 Doctor A. J. Gill, Dean of Southwestern Medical School  
 Doctor John V. Olson, Dean of the Dental Branch  
 Doctor Harry H. Ransom, President of Main University  
 Doctor Joseph M. Ray, President of Texas Western College  
 Doctor J. R. Smiley, Vice-President and Provost of Main University  
 Doctor Grant Taylor, Dean of the Postgraduate School of Medicine  
 Doctor Kenneth M. Earle, Dean of Medicine, representing the  
 Medical Branch in the absence of Doctor John Truslow

\* Vice-Chairman Johnson was in attendance for the meetings of the Standing Committees and the Committee of the Whole on Friday, October 21, 1960.

\*\* Secretary Thedford was excused from attendance upon this meeting. Mrs. Henrietta Jacobsen very graciously recorded the notes for transcription.



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APPROVAL OF MINUTES: REGULAR MEETING ON SEPTEMBER 23-24, 1960. --It was moved by Mr. Thompson, seconded by Mrs. Devall, that the minutes of the regular meeting of the Board on September 23-24, 1960, held in Austin, Texas, be approved in the form as circulated by the Secretary. This motion prevailed.

#### REPORTS OF STANDING COMMITTEES

(The Standing Committees and the Committee of the Whole met on Friday, October 21, 1960. The Committee of the Whole also met during the morning of Saturday, October 22, 1960.)

At the request of Chairman Minter, the Committee Chairmen presented the reports of their respective committees, including any item that had been referred to and acted on by the Committee of the Whole.

REPORT OF EXECUTIVE COMMITTEE--INTERIM ACTIONS (September 1--October 7, 1960). --Committee Chairman Hardie submitted the following report of the Executive Committee:

There have been presented to and approved (by mail vote) by the Executive Committee two items since its last report of August 31, 1960, as reported in the minutes of September 23-24, 1960. Each item was recommended by the respective institutional head concerned, which recommendation was concurred in by Chancellor Wilson. All Budgetary Items and Absences from the Campus are included in the attached docket unless otherwise indicated.

##### 1. Budgetary Items

- a. Medical Branch. --One item recommended by Executive Dean and Director Truslow and reported in the attached docket in Item 6, Page G-3.
- b. Southwestern Medical School. --One item recommended by Dean Gill and reported in the attached docket in Item 2, Page S-2. This item was approved by the Executive Committee at the September meeting but not in sufficient time to be incorporated in the docket for that meeting.

##### 2. Absences from the Campus in Excess of Two Weeks

Medical Branch. --Absence of Mr. Bart H. Danford recommended by Executive Dean and Director Truslow. The absence of Mr. Danford was not approved in time to be incorporated in the October docket.

The absence of Doctor Poth, approved by the Executive Committee at the September meeting but not in sufficient time to be incorporated in the docket, is in the attached docket as Item 1, Page G-11.

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The absence of Doctor John B. Truslow, also approved by the Executive Committee at the September meeting but not in sufficient time to be reported in the September docket, is not reported in the October docket. The Executive Committee requests that it be reported in the docket for December.

These items are reported for ratification by the Board.

Adoption of Report. -- Upon motion of Mr. Hardie, seconded by Mr. Heath, the foregoing report was adopted.

REPORT OF ACADEMIC AND DEVELOPMENTAL AFFAIRS COMMITTEE (See Page 4 for adoption.) -- Committee Chairman Devall presented the following report of the Academic and Developmental Affairs Committee:

Approval of Docket. -- The Academic and Developmental Affairs Committee recommends that the docket of Chancellor Wilson dated October 6, 1960, be approved in the form attached, which includes all budgetary items approved at the meeting, and that the approved docket (Attachment No. 2) be made a part of the minutes. (The docket is attached to this set of minutes following Page 7 of Appendix A of Attachment No. 1.)

Amendment to Board's Rules and Regulations, Part One, Chapter III, Subsection 3.2: Employment of Aliens on Government Research Projects. -- The Academic and Developmental Affairs Committee recommends that the proposed amendment (as set out below) to the Board's Rules and Regulations be approved in conformity with the procedure for amending the Rules and Regulations (Part One, Chapter VII, Subsection 4.1) and be submitted for final approval at the December 1960 meeting:

Amend the Rules and Regulations of the Board of Regents for the Government of The University of Texas, Part One, Chapter III, Subsection 3.2, Employment of Aliens on Government Research Projects, by deleting Subsections 3.2, 3.21 and 3.22 and substituting in lieu thereof the following:

- 3.2 Employment of Aliens on Sponsored Research Projects. Where sponsored contracts and grants do not otherwise prohibit or limit the employment of non-citizens, such non-citizens may be employed upon certification by the Director of the International Office at the Main University, or by an appropriate administrative officer at the other component institutions, that he has examined the applicant's visa and found

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it to be in order and has ascertained that the applicant has the approval of the United States Immigration authorities to accept such employment.

(This proposed amendment was submitted to each Regent in the Material Supporting the Agenda in an effort to bring the rule into conformity with existing policy and procedures of security agencies of the Federal Government and to broaden somewhat the scope of the existing rule.)

Adoption of Report. --Mrs. Devall moved the adoption of the foregoing report of the Academic and Developmental Affairs Committee and the recommendations contained therein. Mr. Hardie seconded the motion which prevailed.

Committee Chairman Devall stated that in addition to the foregoing report the Academic and Developmental Affairs Committee heard a report by President Ransom on teaching assistantships and administrative procedures to improve teaching of freshman courses at the University.

Progress Report on Educational Television by Vice-Chancellor Haskew. --As a part of the report of the Academic and Developmental Affairs Committee, Committee Chairman Devall asked Doctor Haskew to give a progress report on educational television projects at the University. In response to this request, Doctor Haskew reported the status of (1) the University's relations with the Southwest Council for Educational Television (also referred to in the minutes as Central Texas Council on Educational Television) as first recorded in the minutes of January 10, 1958, and (2) closed-circuit television as proposed and reported in detail to the Board on March 11, 1960.

1. With reference to the Southwest Council for Educational Television, he stated that the University is one of many members of this particular council. This VHF channel was originally allocated to the San Antonio Council which was unable to get it financed. The University was approached to manage the situation and gifts were solicited for an Educational Television Fund. Doctor Haskew reported that \$400,000, the Council's goal, has been nearly raised but that it is necessary to assure program operation funds before the station goes on the air. It is expected that this will be completed within two years.
2. The second operation relating to closed-circuit television is a project supported by the Ford Foundation and the US Office of Education, linking by microwave closed circuit 11 colleges in Central Texas. This program, as has been pointed out before, will permit exchange of instructors although each college will control its own programming. It is connected with the Educational Television Station of the Southwest Texas Council by providing the microwave connection. The license from FCC to use the microwave channel is expected momentarily. The money is "in sight" and the license is all that is holding this project up.

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REPORT OF BUILDINGS AND GROUNDS COMMITTEE (See Page 12 for adoption.) --Committee Chairman Thompson presented the following report of the Buildings and Grounds Committee calling attention to minor changes in the recommendations of the Administration as submitted in the Material Supporting the Agenda and as distributed at the meeting:

Main University - Approval of Inscription on Plaque for New Printing Division Building. --It is recommended that the inscription as set out below be approved for the plaque to be installed in the New Printing Division Building at the Main University. This inscription follows the standard pattern approved by the Board of Regents.

PRINTING DIVISION BUILDING

Left side:

1960  
BOARD OF REGENTS

Merton M. Minter, M. D. Chairman  
J. Lee Johnson, III, Vice Chairman  
J. P. Bryan  
Mrs. Charles Devall  
Thornton Hardie  
W. W. Heath  
Wales H. Madden, Jr.  
A. G. McNeese, Jr.  
Joe C. Thompson

Right side:

Logan Wilson, President  
Charles H. Sparenberg, Comptroller

---00---

Harry H. Ransom, Vice President and Provost of Main University  
C. Aubrey Smith, Chairman, Main University Faculty Building Committee

---00---

Jessen, Jessen, Millhouse, and Greeven, Consulting Architect  
Baldrige and Saunders, Associate Architect  
C. D. Yarbrough Construction Company, General Contractor

Main University - Approval of Final Plans and Specifications for Undergraduate Library and Academic Center. --In accordance with actions taken by the Regents, working drawings and specifications have been prepared by the Associate Architect,

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George L. Dähl, on the Undergraduate Library and Academic Center at the Main University. These final plans and specifications have been approved by the Consulting Architect, Jessen, Jessen, Millhouse, and Greeven, the Main University Faculty Building Committee, President Ransom, Comptroller Sparenberg, and Chancellor Wilson. It is recommended that they be approved by the Board and that authorization be given to Comptroller Sparenberg to advertise for bids on this project, these bids to be presented to the Board for consideration at a later meeting.

Main University - Proposed Procedures for Handling the Modernization and Remodeling of Certain Specific Existing Buildings, 1960-67. -- The Board of Regents at their meeting on September 23 and 24, 1960 gave approval, without specific appropriations, to an item entitled "Modernization and Remodeling of Existing Buildings", at an estimated cost of \$2,500,000.00, with authorization dates estimated from 1960 to 1967. This item was approved as an integral part of the proposed Ten-Year Building Program. The 15 specific buildings which were included in this recommendation, their estimated costs, and a contingency allowance of \$275,000.00 are set out in detail on page b of the "Report to the Committee of the Whole", most of which was approved at the meeting of September 23 and 24, 1960.

After several staff conferences, including members of both Main University and the Central Administration, it is now recommended by President Ransom, the Comptroller's Office, and the Chancellor's Office that the procedures set out below be followed in handling these particular modernization and remodeling projects. These recommendations do not involve any changes in standard procedures already approved by the Board of Regents except those set out below, and do not involve any projects except those included in the \$2,500,000.00 item, except where future developments indicate that it is feasible to combine these funds with other funds already appropriated for repair and remodeling work on these particular buildings.

1. It is recommended that the Comptroller be given authority to engage the services of Engineers, after approval by the Board, to prepare all the plans and specifications needed for these various projects, including structural work as well as mechanical, to prepare the usual contract documents, etc.; and to supervise the actual construction work. It is understood that the total fee for this work will not exceed 6%.
2. It is recommended that a proper person be appointed by President Ransom, to serve as an "Expediter" on all the projects included in this \$2,500,000.00, this person to be attached to the

Main University staff. It is understood that this "Expediter" will be made directly and personally responsible for conducting the multitudinous conferences necessary with the various members of the departments involved of the Main University, with the Physical Plant staff of the Main University, with the Business Manager and President of the Main University, and with the Comptroller's Office. It is further understood that this "Expediter" will be given authority to participate in the inspection of the construction work as it progresses. It is further understood that, in an effort to speed this work as much as possible, said "Expediter" will serve as the chief liaison officer between the departments involved, the engineers, the Physical Plant staff of the Main University, and the Comptroller's Office.

It is understood that the Main University Physical Plant staff will be given full and complete opportunity to make their views known to the engineers, the Comptroller's Office, and others, during the preparing of plans and specifications for these projects, and also that they will be given full opportunity to inspect the actual construction work as it progresses, and express their opinions and criticisms to the engineers and the Comptroller's Office in regard thereto. This stipulation does not involve any change in the rights and privileges the said Physical Plant already have.

It is further understood that all of the usual approvals of plans and specifications, contract awards, etc., presently required under the Regents' Rules and Regulations, will be in full force and effect on these projects, except that the approval of the Faculty Building Committee will not be required on the plans and specifications for these "Modernization and Remodeling" projects.

It is contemplated that most of the work involved in these projects will be handled as "turnkey" construction contracts, and that relatively little of the actual work will be done by the Physical Plant staff.

It is also understood, of course, that the actual appropriations for the individual projects included in this list will be made from time to time by the Board of Regents.

Following discussions in regard to the foregoing recommendations between Mr. W. W. Heath, Chancellor Wilson, Vice Chancellor Dolley, and Comptroller Sparenberg, it was decided that the Chancellor's Office and the Comptroller's Office should submit the following additional or supplemental comments. (The foregoing were distributed in the Material Supporting the Agenda and the additional com-



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ments were distributed at the meeting.)

These projects all involve remodeling work on old buildings, which is considered much more time-consuming and burdensome than new construction. Due to the nature of the work involved on these projects, the very definite need for familiarity with Main Campus conditions, and the time-saving involved in having continuity, it is still the opinion of President Ransom, the Comptroller's Office, and the Chancellor's Office that all the work involved in these specific projects should be done by one firm, regardless of which firm is chosen by the Board of Regents. Obviously, however, the work can be done in different ways; the alternate methods are listed below, in order of priority, as far as the preferences of the Administration are concerned:

1. Award all of this work to one firm of engineers.
2. Award the work to one firm every two years, commencing with the two-year period beginning September 1, 1960.
3. Award the work to various firms of engineers, with a separate choice of engineers being made for each building.

Regardless which method is chosen by the Board of Regents for allocating this work to engineering firms, it is the firm opinion of the Administration that whatever firm or firms are chosen should have offices in Austin, Texas. Our experience with both architects and engineers indicates that the service rendered is much more satisfactory, for a number of reasons, when the firm involved either is located in Austin or has a branch office in Austin.

In regard to the question as to whether we should engage the services of outside engineers or have this work done by our own staff, it is believed by all those concerned, in both Main University Administration and the Central Administration, that the Physical Plant Staff of the Main University already have all the assignments that they can handle, without considerable increase in the size of their staff, and that, therefore, it is wiser to engage the services of outside engineers for this particular project.

The scale of fees approved by the Texas Society of Professional Engineers ranges much higher, on a graduated basis, even on new construction, than the total fee (not to exceed 6%) recommended in our recommendations on Page 6, Item 1. It is contemplated that any firm which is not willing to do all the work involved in this repair, remodeling, and modernization work for a fee of 6% would not be considered for any of this work.



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It is hoped that from time to time we can bid two to four buildings together, as far as construction contracts are concerned, as this method of bidding will probably save us some money. This procedure, if followed, would obviously make it highly desirable not to have several engineering firms on one construction contract.

Mr. H. E. Jessen, Consulting Architect, Mr. Walter C. Moore, Architect and Assistant to the Comptroller, and Comptroller Sparenberg, plus others, have discussed very carefully on several occasions whether these remodeling jobs should be under architects or engineers. In view of the fact that the cost estimates indicated that not less than 80% of the work involved would be mechanical (including air conditioning, plumbing, and electrical), and that the purely structural work involved would be very simple, it was agreed by all concerned that it would be much better to have this work done by mechanical engineers, with the understanding, of course, that whatever architectural services were needed would be paid for by them out of their fees.

It is recommended by the Buildings and Grounds Committee that the work be awarded to one firm every three years, commencing with the three-year period beginning September 1, 1960. The Administration is requested to present names at the next meeting (December 1960) of firms willing to take work at a 6% fee.

Texas Western College - Approval of Final Plans and Specifications for Gymnasium-Field House. --In accordance with action taken by the Regents at the meeting held May 14, 1960, working drawings and specifications have been prepared by the Associate Architect, Monroe, Licht, and Higgins, of El Paso, Texas, on the Gymnasium-Field House at Texas Western College. These final plans and specifications have been approved by the Consulting Architect, Jessen, Jessen, Millhouse, and Greeven, Texas Western College Building Committee, President Ray, Comptroller Sparenberg, and Chancellor Wilson. It is recommended that they be approved by the Board and that authorization be given to Comptroller Sparenberg to advertise for bids on this project, these bids to be presented to the Board for consideration at a later meeting.

Texas Western College - Proposal by El Paso County to Build New Stadium for Texas Western College, et al, on Land Owned by Board of Regents. --At the meeting of the Regents' Buildings and Grounds Committee held May 13, 1960, the proposal from El Paso County to build a stadium on land owned by the Board of Regents to be used by Texas Western College and others was presented for discussion. Copies of three letters setting out the proposal in some detail had been transmitted in advance to the members of the Board of Regents. It was agreed that the Administra-

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tion would study the proposition further, especially the legal aspects of the matter, and would report back later to the Committee and the Board. Such a study has been made by the Administration, and copies of a report to the County Commissioners' Court from "The Committee Appointed to Study Construction of a New Sun Bowl", dated September 15, 1960, have been received. Copies of this report, together with copies of a legal opinion from the University Attorney on this matter, were sent to the members of the Board of Regents as supplementary material along with the recommendations.

In view of the report of the committee which studied the matter in great detail, Mr. Waldrep's opinion that the legal questions can probably be worked out satisfactorily with the approval of the Legislature, and the fact that the County Commissioners' Court has ordered a vote on a bond issue amounting to \$1,750,000.00 at the general election in November, it is recommended by President Ray, Comptroller Sparenberg, Vice Chancellor Dolley, and Chancellor Wilson that the Board at this meeting express willingness to agree to the construction of this stadium in accordance with the terms set forth in the various documents supporting this proposal, provided that the matter receives the approval of the Legislature.

Main University - Award of Contract for Movable Furniture and Furnishings for Addition to Chemistry Building. --  
In accordance with authorization given by the Board at the meeting held September 24, 1960, bids were called for, opened, and tabulated on October 18, 1960, for Movable Furniture and Furnishings for the Addition to the Chemistry Building, Main University, as follows:

|                                    |             |
|------------------------------------|-------------|
| The Abel Stationers, Austin, Texas |             |
| Base Bid                           | \$14,982.45 |
| Add Alternate No. 1                | 693.00      |

|   |           |
|---|-----------|
| Rockford Furniture Associates,<br>Austin, Texas |           |
| Base Bid  | 15,531.77 |
| Add Alternate No. 1                             | 726.00    |

After consideration of the bids, it is recommended that a contract award be made to the low bidder, The Abel Stationers, Austin, Texas, in the total amount of \$15,675.45, which includes the Base Bid and Alternate No. 1. This amount is within the estimate of between \$16,000.00 and \$17,000.00 given at the meeting of September 24, 1960.

Main University - Approval of Final Plans and Specifications for Research Facilities and Headquarters Building at Institute of Marine Science. --At the Regents' Meeting held May 14, 1960, the preliminary plans for

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the Research Facilities and Headquarters Building at the Institute of Marine Science were approved, and authorization was given for the Associate Architect, Smyth and Smyth, to proceed with the preparation of working drawings and specifications. These have now been completed and have been approved by the Consulting Architect, Jessen, Jessen, Millhouse, and Greeven, Dr. Odum, President Ransom, Comptroller Sparenberg, and Chancellor Wilson. It is recommended that they be approved by the Board and that Comptroller Sparenberg be authorized to advertise for bids to be presented to the Board for consideration at a later meeting.

Main University - Preliminary Application to Housing and Home Finance Agency for Construction of Student Housing Facilities. --At the meetings held March 12, 1960 and May 14, 1960, the Board of Regents authorized and directed the University Comptroller to file a preliminary application to H. H. F. A. for construction at the Main University of a dormitory for women, a dormitory for men, and apartment units for married students.

The Comptroller's Office recently received a telephone call from the Housing and Home Finance Agency, Fort Worth, Texas, in which it was stated that H. H. F. A. could approve reservation of funds for building projects in the current Federal fiscal year in an amount not exceeding \$3,000,000.00 for each institution. H. H. F. A. then requested that the Comptroller's Office designate as quickly as possible the project or projects the University is desirous of having approved which would not exceed the \$3,000,000.00 limitation.

It is now recommended that the Board of Regents approve the action taken and recommendations made as set out below:

After careful deliberation by the Comptroller's Office, the President of the Main University, and the Chancellor's Office, it was decided to request H. H. F. A. to approve a loan for the 200 apartment units for married students in the amount of \$1,800,000.00, as indicated in the preliminary application. The Chancellor's Office authorized the Comptroller to give H. H. F. A. this information on a tentative basis by telephone, which has been done, and to confirm this action by letter after the next Regents' meeting, if approved by the Board of Regents.

When this call to H. H. F. A. was made, the H. H. F. A. agreed that the other two projects, i. e., the dormitory for men and the dormitory for women, could be placed in the H. H. F. A. deferred file, pending allocation of additional

Federal funds in the next fiscal year. It is therefore recommended that this request be included also in the confirming letter.

Medical Branch - Reallocation of Funds for Purchase of Movable Furniture and Equipment. --At the Regents' meeting held October 3, 1959, an appropriation of \$197,803.00 was accepted from The Sealy and Smith Foundation "to cover the cost of equipment and furnishings for the remodeled Galveston State Psychopathic Hospital Building, Edward Randall Pavilion, and Units 5A and 5B of the John Sealy Hospital" at the Medical Branch. Of this amount, \$177,416.00 was allocated for equipment and furnishings for the Galveston State Psychopathic Hospital and the Edward Randall Pavilion. Orders have been placed for the furniture and equipment necessary for the Edward Randall Pavilion, and there is a balance of approximately \$132,000.00 remaining in this account, according to the Central Administration's books. No orders have been placed as yet for the furniture and furnishings needed for the State Psychopathic Hospital, and the Medical Branch now wishes to make a change in the allocation of these funds.

It is recommended that the Board approve the following changes which have been recommended by Mr. Bobbitt, Director of Hospitals, and approved by Dr. Truslow, The Sealy and Smith Foundation, Vice Chancellor Dolley, and Chancellor Wilson:

That the R. Waverley Smith Pavilion (96 beds) be completely refurnished, using what is needed of the balance of \$132,000.00 referred to above. This entire Pavilion is for private patients (including 24 private psychiatric patients on the 5th floor), whereas approximately one-half of the State Psychopathic Hospital will probably be used for staff patients.

That the furniture now being used in the R. Waverley Smith Pavilion be transferred to the remodeled State Psychopathic Hospital (123 beds) when it is completed.

That the additional furniture needed for the other 27 patients in the State Psychopathic Hospital be purchased from the balance remaining in the account after the purchase of the furniture for the R. Waverley Smith Pavilion.

Adoption of Report. --The foregoing report and recommendations contained therein were adopted upon motion of Mr. Thompson, seconded by Mrs. Devall. (See Page 22 for additional item of the Buildings and Grounds Committee.)

REPORT OF LAND AND INVESTMENT COMMITTEE (See Page 14 for adoption. ) --In the absence of Vice-Chairman Johnson, Doctor Dolley, Vice-Chancellor (Fiscal Affairs), presented the report of the Land and Investment Committee. Doctor Dolley pointed out that Committee Chairman Johnson on Friday, October 21, 1960, had called to the attention of the Committee of the Whole the Land and Investment Committee's recommendation regarding the option for the purchase of the Rossonian property on Walker Avenue, Houston, Texas, and the additional item not included in the Administration's recommendations (Attachment No. 1). (Attachment No. 1 was distributed to the Regents prior to the meeting, and the additional item was distributed at the meeting.)

Doctor Dolley then presented the report in four parts, each adopted by a separate motion.

1. Hogg Foundation: Varner Properties, Rossonian Property on Walker Avenue between Fannin and San Jacinto, Houston, Texas - Proposal from Mr. Melvin Silverman for Option to Purchase. --It is recommended by the Land and Investment Committee that the first sentence of the last paragraph on Page L-12 read:

"It is recommended that the Board of Regents grant Mr. Silverman an option for 90 days to purchase this property for \$1,000,000 cash, with Mr. Silverman to pay \$500 for this option."

This recommendation was adopted upon motion of Mr. Thompson, seconded by Mr. Madden. Messrs. Bryan and Heath voted "No."

2. Trust and Special Funds -- Real Estate Matters. --

Hogg Foundation: W. C. Hogg Fund - Proposal from A. Milton Vance, Trustee, to Purchase Main and Bell (White Property) Houston, Texas. --(This is the additional item.) The University has received through Mr. Arthur Noodleman, a Houston realtor, a proposal from A. Milton Vance, Trustee, to purchase the White Property at Main and Bell in Houston for \$625,000, payable 10 per cent down, \$28,125 annually for ten years with interest at 5 per cent, and the balance due at the end of the 11th year.

This property fronts approximately 135 feet on Main Street and 126 feet on Bell Avenue comprising about 17,000 square feet, and has been recently appraised by Mr. Neville Allison of Houston at a value of approximately \$700,000. It is on the University's books at a value of \$129,681.20, (appraised value in the late thirties) when it was acquired from the W. C. Hogg Estate.

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The property is under lease to Simpson Dining Car, Inc. to December 31, 1961 at rental of \$1,500 per month. The tenant has the right to remove all improvements and has the obligation to fill the excavation and restore the property to its former state. It appears unlikely, due to the tenant's business in recent years, that this lease can be renewed with them except at a lower rental. Also, it is unlikely that the property will bring the present rental if leased as a parking lot.

The property is located only about one block from the 44-story Humble Building now under construction, and some further developments in the area in the near future seem probable.

The purchase offer carries a commission of 5 per cent to be paid by the University to Mr. Noodleman.

It is recommended that the Board of Regents decline subject offer but offer to sell the property to the purchaser for \$750,000 cash with commission of \$25,000 to be paid to Mr. Noodleman, all subject to deposit of 5 per cent earnest money with the University on or before November 22, 1960. It is further recommended that the Chairman of the Board of Regents be authorized to execute a contract of sale with these purchasers if the counter offer of the Board of Regents is accepted by them by deposit of earnest money within the time stated above.

Adoption. -- Upon motion of Mr. Thompson, seconded by Mr. McNeese, the foregoing recommendations were approved.

3. Recommendations of Administration. -- It was moved by Mr. Bryan, seconded by Mr. Madden, that the recommendations of the Administration as approved by the Land and Investment Committee be adopted. This motion prevailed. The recommendations of the Administration are Attachment No. 1 consisting of Pages L-1 through L-12, Pages 1-16 PUF,\* and Appendix A. Attachment No. 1 is appended following Page 24 of the minutes and is made a part of the minutes.
4. Policies Governing Permanent University Fund of The University of Texas Investment Program. -- After presentation by Vice-Chancellor Dolley of the amended and edited policies governing the investment program for the Permanent University Fund of The University of Texas, a motion was made by Regent Thompson and seconded by Regent Hardie to adopt the policies as amended and edited as providing safeguards and standards of eligibility for

\*Pages 1-16 PUF were adopted by separate motion in Item 4.



investments which the Board of Regents deem proper investments for the Permanent University Fund under the provisions of Section 11a, Article VII, Constitution of the State of Texas, which authorizes investment of up to 50% of the Fund in corporate securities. The Board of Regents with 8 members present unanimously adopted the policies as amended and edited and directed the Secretary of the Board to spread the full copy of the "Policies Governing Permanent University Fund of The University of Texas Investment Program," as amended and edited through October 22, 1960, on the permanent minutes of the Board of Regents. (A full copy of the "Policies Governing Permanent University Fund of The University of Texas Investment Program" is in Attachment No. 1, Pages 1-16 PUF.)

Doctor Dolley distributed at the meeting for information only Treasury Bond Switching Transactions of Permanent University Fund (through October 18, 1960) which was authorized by the Board on June 13, 1959. A copy is in the Secretary's Files, Volume VIII, Page 39.

REPORT OF MEDICAL AFFAIRS COMMITTEE (See Page 17 for adoption.) -- Committee Chairman Bryan reported that Doctors Clark, Gill, Olson, Taylor, and Earle (representing Doctor Truslow) were in attendance at the meeting of the Medical Affairs Committee and each was given an opportunity to discuss matters concerning his respective institution. The following is a report of the Medical Affairs Committee:

Medical Branch: Budgetary Items, Commitments of The Sealy and Smith Foundation and the Building Program. -- The Medical Affairs Committee discussed and recommends approval for inclusion in the docket the budgetary items for the Medical Branch as distributed to each Regent in the Material Supporting the Agenda.

The committee also took note of the following letter dated October 3, 1960, to Chancellor Wilson from Mr. John W. McCullough, President of The Sealy and Smith Foundation, listing the commitments made by The Sealy and Smith Foundation for The University of Texas Medical Branch:

"Referring to your favor of the 20th ultimo, our Directors have approved the request of the University for the sum of \$1,250,000.00 toward the cost of construction of a new out-patient addition for the John Sealy Hospital. Of this sum, we have previously agreed that \$25,000.00 be used for architects' fees. Needless to say, we are pleased to know that matching funds have been granted by the Texas State Board of Health out of the Hill-Burton appropriations.



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"So that it may be recorded here and by the Board of Regents, the following sets out the amounts for which we are committed at this date:

|   |                |
|---|----------------|
| For new out-patient building-----   | \$1,250,000.00 |
| Renovation present out-patient building-----                              | 600,000.00     |
| Housing for cobalt machine-----   | 200,000.00     |
| Neurology Laboratory (Klingman) - 1960-----                               | 20,000.00      |
| Neurology Laboratory (Klingman) - 1961-----                               | 20,000.00      |
| (This will complete payment of \$100,000.00 grant made for this project.) |                |
| Public Information - 1960-----  | 15,000.00      |
| Public Information - 1961-----  | 15,000.00      |
| (This will complete payment of \$45,000.00 grant made for this project.)  |                |
| Maintenance and repairs - per annum-----                                  | 60,000.00      |
| Salary Supplements - per annum-----                                       | 12,500.00      |
| Total Commitments-----  | \$2,192,500.00 |

"We will be glad to hear from time to time as to progress of your building program, particularly when your plans have matured and letting of the contract for construction is under consideration. I am sure we will be in a position to meet our proportion of progress payments during construction.

"In view of the substantial sum for which we are now committed, I venture the opinion that our Board will be unable to consider any further requests for grants of consequence until after the building program has been completed."

The Medical Affairs Committee discussed the status of the building program at the Medical Branch and the commitments of The Sealy and Smith Foundation as they relate to this program. It is recommended that Central Administration be asked (1) to look carefully into all details of the building program at the Medical Branch with especial attention to all delays that have occurred and (2) to discuss the program with The Sealy and Smith Foundation.

Southwestern Medical School: Presbyterian Hospital. --  
At the Regents' meeting of July 2, 1960, Doctor Gill discussed with the Board the probable allocation of some of the uncommitted space on the Southwestern Medical School Campus to the Presbyterian Hospital Board. He has continuously kept the Board informed of conferences with this group. As a matter of infor-

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mation, he reported a meeting with the Presbyterian Hospital Board and with Chairman Minter in Dallas on September 23. However, the Presbyterians do not know at this time if they will be able to afford a larger tract than might be available from the University and have not decided whether they want a larger tract.

M. D. Anderson Hospital and Tumor Institute: Attorney General's Opinion, Tumor Registry. --At the request of Doctor Clark, concurred in by the Administration, it is recommended by the Medical Affairs Committee that the Chairman of the Board be authorized to request the Attorney General for an opinion to clarify whether the reporting procedure--a voluntary reporting of certain information connected with cancer patients--without the patient's written consent would result in any liability on the University's part or on the part of the physician who is submitting this information.

Adoption of Report. --Upon a motion duly made and seconded, the foregoing report of the Medical Affairs Committee was adopted.

BOARD FOR LEASE OF UNIVERSITY LANDS. --The Board for Lease of University Lands had no report. However, there was distributed with the Material Supporting the Agenda a copy of the System Analysis of West Texas Land Offices by Arthur Andersen and Company as authorized by the adoption of the report of the Land and Investment Committee at the September 1960 meeting. A copy of this report is in the Secretary's Files, Volume VIII, Page 29.

#### CENTRAL ADMINISTRATION

PRIVATE FUND DEVELOPMENT, TEN YEAR PLAN. --Upon motion of Mrs. Devall, seconded by Mr. Heath, the following communication to the University Development Board from the Board of Regents was authorized:

"On September 24, 1960, the Board of Regents adopted a ten-year plan in support of its determination to improve the standing of The University of Texas within that period. Greater distinction in teaching, in research, in service to Texas and the nation, is to be made possible by new dimensions of financial support. The following charts and summary (I-V) illustrate the magnitude of the financial backing needed for the program.

"For several years, the Board of Regents and the University Development Board have been working toward establishing an effective organization to develop the private financial support necessary to achieve distinction for the University. We believe that the Development Board executive staff is ready to start a fund-raising program now to underwrite the Ten Year Plan for the University system and request your Board to consider the need of private funds at its November

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meeting. The Chancellor and his staff are prepared to present detailed information about the programs which require major private support. In making this request, we pledge positive official and individual support by the Board of Regents."

CHART I

THE TEN YEAR PLAN IS BASED UPON THESE ASSUMPTIONS

1. At least the present level of income from all sources - (a) General Revenue, (b) fees, (c) governmental and private contracts and grants, (d) gifts and bequests, plus (e) a reasonable increase in keeping with predicted enrollment gains and current developmental programs.
2. That any component institution added to The University of Texas system will be financed, for operations and physical plant, from legislative appropriations or outside sources.
3. That The University of Texas system has a popular mandate to become one of the nation's best.

The Ten Year Plan which follows is related to expenditures additional to those provided by the sources of funds enumerated above

for

1. Program Supplementation \*
2. Buildings and Equipment for All Component Institutions

CHART II

FINANCIAL DEMANDS OF THE PLAN

1. Total Support for The University of Texas in The Ten Year Period
  - A. From General Revenue and Local Funds, including continuation of 1958-59 level of contract research . . . . . 74.0 per cent
  - B. From continuation of 1958-59 level of gifts and income from private fund endowment . . . . . 7.5 per cent
  - C. From the Available Fund, revenue bonds, gifts and grants for buildings and equipment . . . . . 10.5 per cent
  - D. From the Available Fund, gifts and grants for program supplementation . . . . . 8.0 per cent

\* Only figures for Main University are included. Those for program supplementation at other component institutions will be presented later.

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The Ten Year Plan is addressed particularly to C and D. Here is where excellence is to be achieved.

2. Distribution of New Financial Support Necessary for C. and D.

|   |               |
|---|---------------|
| Minimum Total . . . . .   | \$148,880,000 |
| 1. From Available Fund, Permanent University Fund bonds, and revenue bonds, \$90,000,000 . . . . .        | 62 per cent   |
| 2. From matching grants by governmental agencies and national private foundations, \$25,500,000 . . . . . | 17 per cent   |
| 3. From gifts and grants by Texans and other friends of the University, \$33,000,000 . . . . .            | 21 per cent   |

3. Yearly Summary of Targets for New Gifts and Grants by Texans and Other Friends

|         | <u>For Program Supplementation</u> | <u>Annual Average for Bldgs. and Eqpt.</u> | <u>Totals</u> |
|---------|------------------------------------|--|---------------|
| 1961-62 | \$150,000                          | \$3,000,000                                | \$3,150,000   |
| 1962-63 | 225,000                            | 3,000,000                                  | 3,225,000     |
| 1963-64 | 400,000                            | 3,000,000                                  | 3,400,000     |
| 1964-65 | 550,000                            | 3,000,000                                  | 3,550,000     |
| 1965-66 | 600,000                            | 3,000,000                                  | 3,600,000     |
| 1966-67 | 650,000                            | 3,000,000                                  | 3,650,000     |
| 1967-68 | 700,000                            | 3,000,000                                  | 3,700,000     |
| 1968-69 | 750,000                            | 3,000,000                                  | 3,750,000     |
| 1969-70 | 750,000                            | 4,625,000                                  | 5,325,000     |

These targets are for the specific objectives listed in the Ten Year Plan. Many other objectives should continue to be advanced by gifts and bequests. The Ten Year Plan is the center but not the circumference of an adequate program for private fund development in the next decade.

CHART III

THE TEN YEAR PLAN FOR PROGRAM SUPPLEMENTATION AT THE MAIN UNIVERSITY

A. What is Sought

Financial resources sufficient (1) to attain and assure continuation of an improved academic program and (2) to get and hold an increasingly able faculty.

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B. Supplementation NeededAs a minimum:

- . From 1961-62 through 1969-70  
\$61,880,000
- . But, the Board of Regents has allocated tentatively from the Available Fund  
\$51,600,000  
for these purposes
- . And, from governmental and national foundation grants the target is  
\$ 5,500,000
- . With gifts and grants from Texans totaling  
\$ 4,775,000  
in new cash income

It is assumed that much more gift money than this will be secured. The Ten Year Plan places no ceiling on excellence. It does build a floor under it. The \$4,775,000 is needed for very specific objects in order to complete the strategy for absolutely minimum progress.

CHART IV

THE TEN YEAR PLAN  
FOR BUILDINGS AND EQUIPMENT  
AT ALL COMPONENT INSTITUTIONS

Total estimated highly desirable expenditures for buildings and equipment between 1961-62 and 1969-70, total  
\$87,000,000

From Permanent University Fund Bonds and Available Fund Cash a hard core of projects can be financed, totaling  
\$30,725,000

And, from Federal matching grants we shall seek vigorously  
\$20,000,000

From revenue bonds, we can finance  
\$7,650,000

This leaves, as a minimum, to be financed from non-governmental gifts, grants, and bequests  
\$28,625,000

at all component institutions

CHART V

## SUMMARY

The Board of Regents requests that the Development Board and the Director of Development devise the approaches and procedures to be used in securing gifts to The University of Texas.

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To this end, the following suggestions are made by the Board of Regents:

1. A comprehensive and long-range plan for obtaining voluntary gift support should be formulated by the University Development Board.
2. The Ten Year Plan provides a floor but not a ceiling for gift support; it is expected that strong efforts will continue to obtain gift money over and above the specific targets listed herein.
3. Most of the money for program supplementation will be allocated from the Available Fund on the assumption that gift money for buildings and equipment is relatively easier to raise. This arrangement is highly flexible.
4. The availability of University funds with which to match private gifts toward buildings should make it easier to attract private support for this purpose, especially since the donor of a "matched" building could still choose the name for the building.
5. Major acquisitions of library and museum collections are contemplated. Because negotiations for such collections are closely related to academic matters and are highly complex in nature, we suggest that direction and coordination of gift efforts in this field reside with President Ransom.

#### MAIN UNIVERSITY

BUILDING ADJOINING BIOLOGY LABORATORY TO BE NAMED WILL C. HOGG, MAIN UNIVERSITY. --It having been previously approved by the Board that a building be named for Will C. Hogg, the Faculty Building Committee of the Main University, concurred in by President Ransom, recommended that the building to adjoin the Biology Laboratory be thus named. This building, among other things, will house the Hogg Foundation. The recommendation was adopted upon motion of Mr. Thompson, seconded by Mr. Madden.

#### COMMITTEE OF THE WHOLE

Below is a report of the meeting of the Committee of the Whole on Friday, October 21, and on Saturday morning, October 22.

REPORTS OF INSTITUTIONAL HEADS. --Each institutional head was given an opportunity to present emergency items--previously cleared through Chancellor Wilson--that had arisen since the final agenda was prepared. Thereafter Doctors Clark, Gill, Olson, and Taylor were called on for any reports they wished to make concerning their respective institutions. Doctor Clark gave a very full report calling attention to research projects, scientific papers published, and real progress in many areas for which the institution has received national recognition. He distributed to each Regent a report of which a copy is in the Secretary's Files, Volume VIII, Page 56.



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LIAISON COMMITTEE BETWEEN THE DIRECTORS OF THE TEXAS MEDICAL CENTER AND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS. --Chancellor Wilson reported that the Board of Directors for the Texas Medical Center has on previous occasions suggested the establishment of a Liaison Committee with the Board of Regents of The University of Texas for the purpose of facilitating co-operative undertakings. It was recommended by the Administration and adopted by the Committee of the Whole that the Chancellor be authorized to confer with the President and the Director of the Texas Medical Center and with Chairman Merton Minter, Board of Regents of The University of Texas, and work out arrangements for the appointment of a Liaison Committee between the two boards.

CONTINUING JOINT COMMITTEE OF REGENTS AND DEVELOPMENT BOARD DISSOLVED. --Upon recommendation of Chancellor Wilson, the Committee of the Whole voted to dissolve the Continuing Joint Committee of the Board of Regents and the University Development Board authorized at the meeting on April 9, 1958. (Permanent Minutes, Volume Vb, Page 774) This joint committee was appointed to explore in detail the program of the University Development Board and the needs of the University that the Development Board could best serve with a view to attaining true excellence and distinction for the University.

ACCEPTANCE OF ANONYMOUS GIFT (PAINTING), MAIN UNIVERSITY. --The Committee of the Whole authorized Chairman Minter to execute a deed of gift conveying to the University final and complete title to the original painting "Portrait of Mlle. Pellissier" by Hubert Drouais from an anonymous donor. This instrument had been approved as to legality by Attorney Waldrep. The official copy of the deed of gift is in the Office of the Secretary of the Board and a copy is in the Secretary's Files, Volume VIII, Page 52.

MAIN UNIVERSITY - AUTHORIZATION TO CONTRACT FOR PURCHASE OF A TRANSISTORIZED COMPUTER, ACCEPTING A GRANT OF \$400,000.00 FROM NATIONAL SCIENCE FOUNDATION, AND APPROPRIATION OF BALANCE NEEDED. --The following background information and recommendations of the Administration were distributed at the meeting and were adopted by the Committee of the Whole with Mr. Heath present and not voting:

At the meeting of the Regents' Buildings and Grounds Committee on September 24, 1960, the recommendation quoted below was presented under the heading above indicated:

"At this meeting the final plans and specifications for the Computation Center are being presented for approval by the Board, and it now becomes imperative that a new computer be purchased for use in the Center. A thorough investigation of machines available, prices thereon, and delivery dates has been made by Dr. Young, Director of the Computation Center, Dr. Ransom, Dr. Haskew, and others in the Chancellor's Office, and more complete information on this investigation was sent to the Board earlier as supplementary data.



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"Word has been received that an application made to National Science Foundation for a grant of \$400,000.00 to help defray the cost of a transistorized computer has been approved, and it is recommended that this \$400,000.00 grant from National Science Foundation be accepted.

"As shown in the supplementary data, there is a wide range between delivery dates and prices on the two machines (either an International Business Machines 7090 or a Control Data Corporation 1604), which the scientists working with this project feel are adequate for their needs, and according to the information in hand, delivery will be sooner and the cost will be less on the Control Data Corporation 1604.

"After careful consideration of all the aspects of this matter, it is recommended by Dr. David M. Young, Director of the Computation Center, which recommendation is concurred in by President Ransom, Vice Chancellor Haskew, and Chancellor Wilson, that an appropriation of \$929,505.00 be made for the purchase of a Control Data Corporation Transistorized Machine No. 1604, \$400,000.00 to come from the National Science Foundation grant and \$529,505.00 to come from the proceeds of Permanent University Fund Bonds."

The recommendations presented at the September 24, 1960, meeting were postponed by the Buildings and Grounds Committee, due to serious questions which had arisen in the minds of some of the administrative staff and some of the Regents, in regard to the financial stability of the Control Data Corporation, which is a relatively new company, and a law suit which has been filed against this company by the Sperry-Rand Corporation. Since the last meeting, considerable additional information in regard to these problems has been obtained by Vice Chancellor Dolley, Vice Chancellor Haskew, Attorney Waldrep, and others, which indicates, among other things, that the Control Data Corporation is a reasonable credit risk. It is now recommended by the Chancellor's Office that the original recommendations, submitted on September 24, 1960, as quoted above, be approved, and that authority be granted to the proper administrative officers of the University, including the Comptroller's Office and the Chancellor's Office, to negotiate a contract with Control Data Corporation to cover the purchase of the transistorized computer, as above indicated, with the understanding that the contract provisions will include an indemnity bond satisfactory to the University administration, to protect the University in the event that the law suit filed by the Sperry-

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Rand Corporation eventually ends up in a decision which would be harmful to the interests of the Control Data Corporation and/or The University of Texas.

## OTHER MATTERS

ADVISORY COMMITTEE, COTTON ESTATE PROPERTY, TEXAS WESTERN COLLEGE. -- The Committee of the Whole at its meeting on September 23, 1960, authorized a special committee of local citizens (El Paso) to make recommendations with reference to the handling of the Cotton Estate property at Texas Western College.

In accordance with the foregoing authorization, Mr. Hardie reported that President Joe Ray has appointed the following as members of this special committee known as the Advisory Committee on Cotton Estate Property:

|                        |                     |
|------------------------|---------------------|
| Sam D. Young, Chairman | Harlan Hugg         |
| L. Riley Allison       | Richard G. Miller   |
| Otis C. Coles          | J. Francis Morgan   |
| J. Ted Cottle          | Dale Resler         |
| Pat DeWitt             | Jack C. Vowell, Sr. |

Upon motion of Mrs. Devall, seconded by Mr. Heath, the foregoing committee appointments were approved.

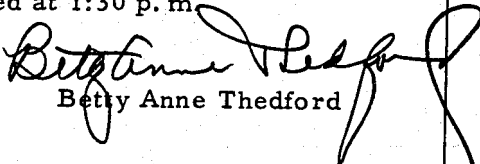
RESOLUTIONS OF THANKS: DAN DANCIGER FOUNDATION AND SOUTHWESTERN MEDICAL FOUNDATION. -- Upon motion of Mr. Thompson, seconded by Mrs. Devall, the following expression of thanks to the Dan Danciger Foundation and to the Southwestern Medical Foundation was adopted with instructions that these resolutions be sent to each of the foundations over the signature of the Chairman of the Board and the Chancellor of the system:

The Board of Regents expresses, on behalf of the people of Texas and The University of Texas system, sincere thanks to the Trustees of the Dan Danciger Foundation and to the Trustees of the Southwestern Medical Foundation for their gifts of \$750,000.00 and \$250,000.00, respectively, toward the erection of a research laboratories building at Southwestern Medical School in the Southwestern Medical Center. The vision and statesmanlike concern prompting these gifts merit high praise. The confidence thus expressed in the Southwestern Medical School is gratifying, and serves to strengthen the determination of the Board of Regents that this School shall continue to render service which justifies such confidence."

## EXPRESSION OF THANKS TO THE BANK OF THE SOUTHWEST. --

The Board of Regents requested Chancellor Wilson to express to the Bank of the Southwest deep appreciation for the fine arrangements made available for the meeting.

ADJOURNMENT. -- The meeting adjourned at 1:30 p. m.

  
Betty Anne Thedford

# ATTACHMENT NO. 1 239

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## PERMANENT UNIVERSITY FUND -- INVESTMENT MATTERS. --

REPORT OF PURCHASES, SALES AND EXCHANGES OF SECURITIES.--The following purchases and exchanges of securities have been made for the Permanent University since the meeting of September 24, 1960. We ask that the Board ratify and approve transactions:

### PURCHASES OF SECURITIES

#### CORPORATE BONDS

| Security   | Par Value<br>of Bonds<br>Purchased | Market Price<br>at Which<br>Purchased | Total<br>Principal<br>Cost* | Indicated<br>Current<br>Yield<br>on Cost** |
|--|------------------------------------|---------------------------------------|-----------------------------|--|
| Virginia Electric & Power Company<br>First & Refunding Mortgage Bonds<br>Series P, 4-5/8%, dated 9/1/60,<br>due 9/1/90 | \$250,000                          | 100.729 Net                           | \$ 251,822.50               | 4.58%                                      |

#### COMMON STOCKS

| Security   | No.<br>of Shares<br>Purchased | Market Price<br>at Which<br>Purchased   | Total<br>Principal<br>Cost* | Indicated<br>Current<br>Yield<br>on Cost** |
|--|-------------------------------|---|-----------------------------|--|
| Minnesota Mining & Manufacturing<br>Company Common Stock     | 600                           | 72-3/8(100)<br>72-3/4(200)<br>72-1/2(300)   | \$ 43,815.05                | 0.82%                                      |
| Otis Elevator Company Common<br>Stock                        | 800                           | 49-7/8(200)<br>50-3/8(200)<br>50 (400)  | 40,401.96                   | 2.97                                       |
| Gulf Oil Corporation Capital<br>Stock                        | 1,400                         | 28-5/8(500)<br>28-1/2(900)  | 40,428.30                   | 3.46                                       |
| International Business Machines<br>Corporation Capital Stock | 100                           | 547-1/2   | 54,825.00                   | 0.55                                       |
| J. C. Penney Company, Inc.,<br>Common Stock                  | 1,200                         | 44-1/4(700)<br>44-1/8(500)  | 53,530.71                   | 3.36                                       |
| Minneapolis-Honeywell Regulator<br>Company Common Stock      | 400                           | 158-7/8   | 63,769.56                   | 1.25                                       |
| Florida Power & Light Company<br>Common Stock                | 700                           | 59-1/2(300)<br>59-1/4(300)<br>59 (100)  | 41,839.54                   | 1.61                                       |
| The Southern Company Common<br>Stock                         | 1,000                         | 47-7/8(200)<br>48-5/8(200)<br>48-1/2(300)<br>48-3/4(100)<br>48-1/4(100)<br>48 (100) | 48,781.76                   | 2.87                                       |
| American Home Products Corpora-<br>tion Capital Stock        | 300                           | 186   | 55,972.80                   | 2.30                                       |
| Philadelphia Electric Company<br>Common Stock                | 1,000                         | 52 (700)<br>51-3/4(300)   | 52,366.94                   | 4.28                                       |
| General Electric Company<br>Common Stock                     | 600                           | 80 (100)<br>79-7/8(100)<br>79-1/2(100)<br>79-1/4(100)<br>78-7/8(100)<br>78-1/2(100) | 47,881.61                   | 2.51                                       |

\* Includes brokerage commissions paid.  
\*\* Yield to maturity on bonds; yield at present indicated dividend rate for stocks.

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## COMMON STOCKS (Continued)

| Security  | No. of Shares Purchased | Market Price at Which Purchased   | Total Principal Cost* | Indicated Current Yield on Cost** |
|---|-------------------------|---|-----------------------|-----------------------------------|
| Inland Steel Company Capital Stock                    | 1,200                   | 41 (200)<br>41-1/4(100)<br>40-3/4(500)<br>40-1/2(200)<br>40-1/4(200)                            | \$ 49,322.29          | 3.89%                             |
| The Dow Chemical Company Common Stock                 | 700                     | 78-5/8(100)<br>78 (100)<br>76-7/8(100)<br>76-5/8(100)<br>76 (100)<br>75-3/4(100)<br>75-1/2(100) | 54,064.24             | 1.81                              |
| The Procter & Gamble Company Common Stock             | 400                     | 123-1/2(100)<br>123 (100)<br>122-1/4(100)<br>120 (100)  | 49,079.88             | 2.12                              |
| United States Gypsum Company Common Stock             | 500                     | 92-3/4(100)<br>93 (100)<br>92-1/2(100)<br>91 (200)  | 46,266.03             | 3.24                              |
| Houston Lighting & Power Company Common Stock         | 600                     | 83  | 50,083.80             | 1.92                              |
| Oklahoma Gas & Electric Company Common Stock          | 1,400                   | 33-3/4(1000)<br>33-1/2(400)   | 47,651.80             | 3.29                              |
| Eastman Kodak Company Common Stock                    | 500                     | 115   | 57,752.50             | 1.56                              |
| Parke, Davis & Company Capital Stock                  | 1,300                   | 41-1/4  | 54,140.19             | 3.36                              |
| National Bank of Detroit Common Capital Stock         | 400                     | 55-3/4 Net  | 22,300.00             | 3.59                              |
| Republic National Bank of Dallas Common Capital Stock | 200                     | 70-1/2 Net  | 14,100.00             | 2.38                              |
| <b>Total Common Stocks Purchased</b>                  | <b>15,300</b>           |   | <b>988,373.96</b>     | <b>2.48</b>                       |
| <b>TOTAL CORPORATE SECURITIES PURCHASED</b>           |                         |   | <b>\$1,240,196.46</b> | <b>2.90%</b>                      |

Includes brokerage commissions paid  
at present indicated dividend rate.

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## SALES AND EXCHANGES OF U. S. TREASURY SECURITIES

Book Value  
New Securities

|  |                |
|--|----------------|
| \$2,000,000 par value U. S. 2-3/4% Treasury Bonds, Investment Series B, due 4/1/80-75, switched into marketable 1-1/2% Treasury Notes, due 4/1/65, which were sold and the proceeds used to purchase like par amount of U. S. 3-1/2% Treasury Bonds, due 5/15/85, with necessary principal adjustment of \$7,500.00 paid to the University | \$2,002,793.46 |
| \$3,887,000 par value U. S. 2-1/2% Treasury Bonds, due June 15, 1967-62, exchanged for \$3,887,000 par value U. S. 3-1/2% Treasury Bonds, dated and bearing interest from October 3, 1960, due November 15, 1980, allotted in full   | 3,892,880.32#  |
| \$9,437,000 par value U. S. 2-1/2% Treasury Bonds, due December 15, 1968-63, exchanged for \$9,437,000 par value U. S. 3-1/2% Treasury Bonds, dated February 14, 1958, with interest from October 3, 1960, due February 15, 1990, allotted in full   | 9,391,074.68#  |
| \$7,216,000 par value U. S. 2-1/2% Treasury Bonds, due June 15, 1969-64, exchanged for \$7,216,000 par value U. S. 3-1/2% Treasury Bonds, dated and bearing interest from October 3, 1960, due November 15, 1998, allotted in full   | 7,186,519.42#  |
| \$9,368,000 par value U. S. 2-1/2% Treasury Bonds, due December 15, 1969-64, exchanged for \$9,368,000 par value U. S. 3-1/2% Treasury Bonds, dated and bearing interest from October 3, 1960, due November 15, 1998, allotted in full   | 9,327,764.75#  |

#Amortized book value as of June 15, 1960, of bonds surrendered for exchange.

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PERMANENT UNIVERSITY FUND INVESTMENT PROGRAM - EDITING OF AND PROPOSED AMENDMENTS TO POLICIES GOVERNING PROGRAM.--A careful editing of the "Policies Governing Permanent University Fund of The University of Texas Investment Program" has been done by the Staff Investment Committee in order to clarify the statements of policy in various sections, to bring estimates for the future in line with actual increments of the fund during the past three years, and to incorporate additional amendments to the policies as adopted by the Board of Regents on January 12, 1957, and as subsequently amended through July 2, 1960.

Below are the proposed amendments as recommended by the Regents' Land and Investment Committee to the Board of Regents for consideration and approval at the October 22, 1960 meeting of the Board. The proposed amendments have been incorporated in a revised copy of the policies, pages A and 1 through 16, PUF, following page 16 and Investment Committee docket.

Amendment #1:

Section VI. B., page 4 under "Policies Governing Investment in Corporate and Government Securities," so as to permit the Staff Investment Committee at its discretion to liquidate temporary investments in Treasury Bills prior to approval by the Board of Regents.

Amendment #2:

Section I. F., page 5, under "Minimum Investment Standards to Determine Eligibility for Purchase," so as to have the policy restriction of not more than 10% of the voting stock of any one corporation approved for ownership at any one time in the Permanent University Fund changed to 5% as provided in the Constitution Amendment authorizing investment in corporate securities.

Amendment #3:

Section II, page 6, Section IV, page 7, and Section V, pages 8 and 9, "Investment Diversification Patterns," so as to change the dollar allocation estimated for common stocks when the broad diversification patterns have been brought into balance from a total of \$180,000,000 to \$200,000,000, to re-allocate (1) the change in percentage allocation to common stocks from 35% as previously approved to 40% (transfer of 5% from mortgage paper fully guaranteed by the United States Government to common stocks) and (2) the larger total allocation estimated to be in the investment portfolio of the Permanent University Fund when balance is achieved with 50% in government securities and 50% in corporate securities.

Amendment #4:

Section I. A., page 10, under "Procedures," so as to delete the position of Senior Security Analyst from the Staff Investment Committee membership.

Amendment #5:

Section I. C., page 10, under "Procedures," so as to permit selection of investment advisory committee members from the investment department staffs of larger life insurance companies in Texas and from the financial officers of public utility corporations in Texas as well as from the investment and trust department staffs of the larger commercial banks in Texas.

Amendment #6:

Section I. A. and Section II. B., page 10, under "Procedures," so as to clarify the manner in which decisions are to be made by the Staff Investment Committee.



~~LEASES AND EASEMENTS.~~ The Land and Investment Committee has given consideration to the following applications for various leases and easements on University Lands. All are at the standard rates, unless otherwise stated, are on the University's standard forms, with grazing leases carrying provision for renewal for an additional five years at negotiated terms. Payments for easements and caliche permits have been received in advance. All have been approved as to form by the Land and Trust Attorney and as to content by the Endowment Officer. Approval of the applications and execution of the instrument involved by the Chairman of the Board is recommended.

| No.  | Grantee                     | Type of Permit                                    | County   | Location  | Distance or Area  | Period  | Consideration |
|------|-----------------------------|---|----------|---|---|---|---------------|
| 1532 | El Paso Natural Gas Co.     | Pipe Line   | Andrews  | Sec. 6, Bl. 9                                   | 15.83 rds. 4½ in.   | 10/1/60-9/30/70   | \$ 50.00      |
| 1533 | Texaco Inc.                 | Pipe Line<br>(Salt Water<br>Disposal)             | Crane    | Sec. 7, 8, 17, 18,<br>20, 29, 30, 32,<br>Bl. 30 | 391 rds. 2-3/8 in.<br>1543 rds. 3½ in.<br>283 rds. 4½ in. | 9/1/60-8/31/70  | 625.00        |
| 1534 | Ward County                 | Road Right-of-Way                                 | Ward     | Sec. 32, 37, Bl. 16                             | 3.167 a.; 7.273 a.  | 10/1/60 -   | - 0 -         |
| 1535 | Monterey Oil Company        | Water Treating<br>and Pumping Plant<br>Site Lease | Andrews  | SE/4 of NW/4 of<br>Sec. 5, Bl. 13               | 9.66 acres  | 9/1/60-8/31/70<br>(with right of<br>renewal upon<br>mutually agree-<br>able terms | 966.00        |
| 181  | T. B. Tripp & Sons          | Caliche   | Andrews  | Bl. 9, Sec. 46                                  | 340 cu. yds.  | -   | 85.00         |
| 182  | Frank Montgomery            | Caliche   | Andrews  | Bl. 11  | 200 cu. yds.  | -   | 50.00         |
| 183  | Frank Montgomery            | Caliche   | Andrews  | Bl. 9   | 1030 cu. yds.   | -   | 257.50        |
| 184  | Frank Montgomery            | Caliche   | Andrews  | Bls. 9, 11                                      | 200 cu. yds.  | -   | 50.00         |
| 185  | Frank Montgomery            | Caliche   | Andrews  | Bl. 11  | 200 cu. yds.  | -   | 50.00         |
| 186  | Frank Montgomery            | Caliche   | Andrews  | Bl. 9   | 1170 cu. yds.   | -   | 292.50        |
| 187  | Frank Montgomery            | Caliche   | Andrews  | Bl. 12  | 1307 cu. yds.   | -   | 326.75        |
| 188  | Frank Montgomery            | Caliche   | Andrews  | Bl. 11  | 200 cu. yds.  | -   | 50.00         |
| 189  | Frank Montgomery            | Caliche   | Andrews  | Bl. 9   | 984 cu. yds.  | -   | 246.00        |
| 1536 | Tri-Cities Broadcasting Co. | Microwave<br>Station Site                         | Hudspeth | Sec. 44, Bl. G                                  | 250' x 250'   | 10/1/60-9/30/70   | 1,000.00      |

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PROPOSED AMENDMENTS TO REQUIRED OPERATING AND REPORTING PROCEDURES UNDER UNIVERSITY OIL AND GAS LEASES AND UNDER GEOPHYSICAL EXPLORATION PERMITS.---  
The Required Operating and Reporting Procedures under University Oil and Gas Leases and under Geophysical Exploration Permits are subject to approval by both the Board for Lease of University Lands and the Board of Regents. Revisions and amendments to certain of the procedures were approved by the Board for Lease of University Lands at its meeting of September 22, 1960 upon recommendation of the University Staff. The revisions approved by that Board are as follows:

1. Rule I.A.3 - Reporting of Production Separately for Oil and for Gas by Producing Horizons.
2. Rule I.A.4.a.(1) - Exclusion of Railroad Commission "EB" Reports from Production Data to be Filed.
3. Rule I.A.4.a.(2) - Inclusion of Data on LACT Units, Commingling of Production and Vapor Recovery Units in the Production Data to be Filed, in Addition to Data on Common Tankage.
4. Rule I.A.4.c - Allowance of a Volume Credit but not a Dollar Cost Basis Credit, for Injected and/or Recovered Substances Used in Fracturing or Otherwise Treating Wells.
5. Rule I.A.7 - A new provision setting forth Procedure to be Followed upon Abandonment of Producing Leases.
6. Rule I.B.4 - A new provision outlining meter data to be filed.
7. Rule II.D.1.b. Groups 2 and 3 - Change in Depth of Pattern Control Holes Drilled in Seismic Operations.

The Required Operating and Reporting Procedures which will become effective October 22, 1960, if the above revisions are approved by the Board of Regents, are attached to this docket as Appendix A. Approval is recommended.

EXTENSION OF BUSINESS SITE EASEMENT NO. 1460, LLOYD M. BENTSEN AND ELMER C. BENTSEN, REAGAN COUNTY.--Business Site Easement No. 1460 was issued to Noble Holt for a 3-year period, May 1, 1960 through April 30, 1963, covering a tract 600' x 415' in Section 7, Block 11, Reagan County for a drive-in theater. Annual rental is \$500 per year payable in advance. The easement was assigned by Mr. Holt to M. F. Klose and by Mr. Klose to the Messrs. Bentsen at the September 24, 1960 meeting of the Board of Regents. Mr. Lloyd M. Bentsen and Mr. Elmer C. Bentsen have now made application for an extension of the lease for an additional 7-year period, May 1, 1963 through April 30, 1970, at an annual rental of \$1,000 per year payable in advance. Approval is recommended with the Chairman authorized to execute the instrument when approved as to form by the Land and Trust Attorney and as to content by the Endowment Officer.

ASSIGNMENT OF GRAZING LEASE NO. 718 TO NEWNHAM & WHITTENBURG FROM CHARLES J. COX, PECOS COUNTY.--This application covers assignment of Grazing Lease No. 718 to Newnham & Whittenburg from Charles J. Cox on 4,530 acres in Blocks 27 and 28, Pecos County for the remaining period of the lease. The lease was granted for the 5-year period July 1, 1957 through June 30, 1962 at the annual rate of \$0.22 per acre for the first 6 months and \$0.30 per acre for the remaining 4½ years. Semiannual rental, due January 1 and July 1 of each year from the Assignee, is \$679.50. Assignment bonus of \$700 and General Land Office filing fee of \$1.00 have been received.

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WATER EXPLORATION PERMIT NO. 89, HORIZON LAND COMPANY, BLOCK L, EL PASO COUNTY.--The University has from Horizon Land Company, developers of Horizon City east of El Paso, a proposal for a water exploration permit on Block L, University Lands, El Paso County, comprising approximately 11,520 acres, for possible lease of water rights to serve Horizon City. Horizon Land Company will pay a fee of \$1,000 to the University for the permit, will be responsible for surface damages, and will furnish the University all exploration data. The permit will run for a term of 2 years and will allow Horizon Land Company priority for negotiation of a water lease within that period, all terms of the lease to be subject to negotiation. It is recommended that the Board of Regents accept this proposal and authorize the execution of the permit when approved as to form by the Land and Trust Attorney and as to content by the Endowment Officer.

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## TRUST AND SPECIAL FUNDS -- INVESTMENT MATTERS.--

REPORT OF PURCHASES, EXCHANGES AND SALES OF SECURITIES.--The following purchases and sales of securities have been made for the Trust and Special Funds meeting of September 24, 1960. We ask that the Board ratify and approve these items:

## PURCHASES OF SECURITIES

| <u>Security</u>   | <u>Principal Cost</u> |
|---|-----------------------|
| 60 \$9,000 par value U. S. 4% Treasury Bonds, due October 1, 1969, purchased at 102.6875 Net to yield 3.64% to maturity (Texas Western College of The University of Texas - Reserve Fund (Dormitory Revenue) Bonds - Series 1946) | \$ 9,241.88           |
| 60 200 Shares The Chase Manhattan Bank Capital Stock, purchased at 58-7/8 Net   | 11,775.00             |
| 200 Shares General Foods Corporation Common Stock, purchased at 65-3/8  | 13,166.08             |
| 100 Shares Libbey-Owens-Ford Glass Company Common Stock, purchased at 49-3/8  | 4,981.19              |
| 400 Shares Oklahoma Gas & Electric Company Common Stock, purchased at 32-1/2  | 13,141.00             |
| 300 Shares Parke, Davis & Company Capital Stock, purchased at 39-3/4  | 12,041.64             |
| 300 Shares Public Service Electric & Gas Company Common Stock, purchased at 40-1/4  | 12,192.39             |
| 200 Shares Southern California Edison Company Common Stock, purchased at 60-1/4   | 12,140.06             |
| 300 Shares Virginia Electric & Power Company Common Stock, purchased at 47 (Funds Grouped for Investment)   | 14,227.50             |
| 60 \$6,000 par value The Austin National Bank 3% Time Certificate of Deposit, dated September 28, 1960, due August 28, 1961 (Temporary Investment - Treador Trust Fund for Salary Supplementation of the School of Law)           | 6,000.00              |
| 60 200 Shares Texas Utilities Company Common Stock, purchased at 75-1/2   | 15,193.10             |
| 300 Shares Bank of America National Trust & Savings Association Common Capital Stock, purchased at 44 Net (Funds Grouped for Investment)  | 13,200.00             |

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EXCHANGES OF SECURITIES

| <u>Security</u>  | <u>Book Value<br/>New Securities</u> |
|--|--------------------------------------|
| \$30,000 par value U. S. 2-1/2% Treasury Bonds, due December 15, 1968-63, exchanged for \$30,000 par value U. S. 3-1/2% Treasury Bonds, dated February 14, 1958, with interest from October 3, 1960, due February 15, 1990, allotted in full<br>(Reserve for Possible Losses by Fire, etc., Temporary Student Housing Units) | \$ 29,615.63#                        |
| \$150,000 par value Ditto<br>(Temporary Investments - Division of Housing & Food Service - Major Repairs, Remodeling & Replacement & Operating Reserve Fund)   | 148,078.49#                          |
| \$6,000 par value U. S. 2-1/2% Treasury Bonds, due December 15, 1969-64, exchanged for \$6,000 par value U. S. 3-1/2% Treasury Bonds, dated and bearing interest from October 3, 1960, due November 15, 1998, allotted in full<br>(Student Property Deposit Scholarship Fund)  | 5,914.50#                            |
| #Amortized book value as of June 15, 1960, of bonds surrendered for exchange.  |                                      |

SALE OF SECURITY

| <u>Security</u>  | <u>Net Proceeds</u> |
|--|---------------------|
| \$5,000 par value U. S. 4-3/4% Treasury Notes of Series A-1964, due May 15, 1964, sold at 104.09375 Net with interest to September 9, 1960 (Gain on sale over book value \$1,193.64)<br>(John H. Houghton Loan Fund) | \$5,280.20          |

SALES MADE BY THE SEALY & SMITH FOUNDATION  
(Recommended by Staff Investment Committee)

| <u>Security</u>  | <u>Net Proceeds</u> |
|--|---------------------|
| 560 Rights to subscribe for El Paso Natural Gas Company Common Stock (Based on holding of El Paso Natural Gas Company Common Stock)  | \$ 218.71           |
| 560 Shares El Paso Natural Gas Company Common Stock<br>(Gain on sale over book value \$9,784.15)<br>(Special Fund under Joint Control of The Sealy and Smith Foundation for the John Sealy Hospital and the Board of Regents of The University of Texas) | 18,935.93           |

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SPECIAL FUND UNDER JOINT CONTROL OF THE SEALY AND SMITH FOUNDATION FOR THE  
HOSPITAL AND THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS - RECOMMENDA-  
PARTIAL SALE OF HOLDINGS OF SOCONY MOBIL COMMON STOCK.--The Special Fund under  
control of the Sealy & Smith Foundation and the Board of Regents held as of  
31, 1960, 9,375 shares of Socony Mobil Common Stock with a book value of \$233,734.56  
per share, this holding representing 31.8% of the security portfolio for the  
Fund.

30, 1951, the Special Fund held 15,300 shares of Socony Mobil Common Stock with  
value of \$480,000.00 or 31.37 per share, representing 65% of the security port-  
At the July 25, 1951, meeting of the Board of Regents, approval was given to  
to the Foundation that approximately one-half of the stock be sold. The  
subsequently sold 7,800 shares as follows: 7,400 shares at 33 and 400 shares  
7/8, total net proceeds \$254,993.90, the sale of the shares netting a small profit  
Special Fund. Since that time, various stock dividends and exercise of rights  
increased the number of shares remaining to the present total as shown above.

ly the common stock is selling around 37-7/8 (close September 30, 1960). It is  
nded that the Board of Regents notify the Foundation that the Board approves sale  
00 shares of the presently held 9,375 shares of Socony Mobil Common Stock with the  
ceeds to be reinvested in corporate securities to be suggested by the University's  
Investment Committee and approved by the Foundation for purchase.

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## TRUST AND SPECIAL FUNDS -- GIFT, BEQUEST AND ESTATE MATTERS.--

ESTATE OF HATTIE E. GAINES - AUTHORIZATION TO INTERVENE IN WILL CONTEST SUIT.--The will contest suit filed on behalf of the grandchildren and Trustee under the Will, was reported to the Board of Regents at its September 19, 1958 meeting and again at the January 23, 1960 meeting. The University is a beneficiary under the Will for the establishment of the John Q. Gaines Foundation for Cancer Research. The University has not been joined in the suit, though the answer filed by The Austin National Bank urged that this be done, and authorization for such suit against the State was obtained on behalf of the grandchildren during the 1959 session of the Legislature. The matter has already been reviewed by the Attorney General, and it is recommended that the Board of Regents authorize its Land and Trust Attorney to request the Attorney General to intervene in the suit on behalf of the University.



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## TRUST AND SPECIAL FUNDS -- REAL ESTATE MATTERS.--

MAIN UNIVERSITY - BRACKENRIDGE TRACT - RELEASE OF 11.637 ACRES FROM CITY OF AUSTIN MUNICIPAL GOLF COURSE LEASE FOR USE AS SITE OF PRESIDENT'S HOME.-- On September 24, 1960, the Board of Regents approved final plans and specifications for the President's home to be constructed on that part of the Brackenridge Tract lying at the intersection of Enfield Road and Exposition Boulevard, which site is covered by the Municipal Golf Course lease held by the City of Austin. The Golf Course Lease, subject to certain rights of cancellation on the part of the University, runs to March 30, 1987. Members of the staff have made arrangements with the City for a release of 11.637 acres of the tract to be used as the site of the President's home, and it is recommended that the Board of Regents authorize joinder by the University in such release with the appropriate instrument to be executed by the Chairman when approved as to form by the Land and Trust Attorney and as to content by the Endowment Officer.

HOGG FOUNDATION: VARNER PROPERTIES - REPORT ON CLOSING OF SALE TO A. S. KOEHLER OF SENS PROPERTY, MILAM AND CONGRESS, HOUSTON, TEXAS.-- Sale of Lots 1 and 2, Block 18, SSBB, City of Houston, known as the Sens Property for \$40,000 cash, to A. S. Koehler, with commission of \$2,000 payable to Mitchell Koppel, was authorized by the Board of Regents on July 13, 1960, with an amendment to that action on September 24. This sale was closed on September 30 by delivery of deed from the University dated September 23, receipt of \$40,000 by the University, and payment by the University of \$2,000 commission to Mr. Koppel.

HOGG FOUNDATION: VARNER PROPERTIES, ROSSONIAN PROPERTY ON WALKER AVENUE BETWEEN FANNIN AND SAN JACINTO, HOUSTON, TEXAS - PROPOSAL FROM MR. MELVIN SILVERMAN FOR OPTION TO PURCHASE.--Mr. Melvin Silverman, a responsible developer, of Houston proposes that the Board of Regents grant him a 90-day option to purchase the property on Walker Avenue, known as the Rossonian Property, for \$1,000,000 cash. Mr. Silverman offers no cash consideration for this option, stating that he needs it in an effort to arrange plans and financing for development of the property.

This property was acquired in the Varner Company transaction in 1952 and was carried in that transaction at a value of \$900,000, which is the University's book value on the property. It is under lease to Classified Parking System to March 31, 1962 at \$4,000 per month plus 50 per cent of annual gross income over \$75,000. Reports on gross income indicate that no rental above the guaranteed monthly rental will be received during the term of this lease. Thus return, before Unrelated Business Income Tax, to the University on book value is 5.333 per cent. Return on the proposed option price would be 4.8 per cent.

The property was appraised in October, 1959 at a value of \$950,000 by Mr. Neville Allison.

The property consists of Lots 6-10, inclusive, Block 134, SSBB, running 250 feet on Walker Avenue across the entire block and extending 100 feet in depth on Fannin and San Jacinto Streets. It is one block from the new First City National Bank building and is across the street from the present First City National Bank property which has recently been acquired by Texas Eastern Pipe Line Company.

It is recommended that the Board of Regents grant Mr. Silverman an option for 90 days to purchase this property for \$ \_\_\_\_\_ cash, with Mr. Silverman to pay \$ \_\_\_\_\_ for this option (blanks to be filled in at meeting of the Land and Investment Committee). It is further recommended that, upon notice of exercise of the option and deposit with the University of \$50,000 as earnest money, that the Chairman of the Board of Regents be authorized to execute a contract of sale with Mr. Silverman when approved as to form by the Land and Trust Attorney and as to content by the Endowment Officer.

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POLICIES GOVERNING

PERMANENT UNIVERSITY FUND OF THE UNIVERSITY OF TEXAS

INVESTMENT PROGRAM

(As adopted by the Board of Regents of The University of Texas on January 12, 1957, pursuant to the provisions of a self-enacting amendment to Section 11a, Article VII, Constitution of the State of Texas, which was approved at the General Election of November 6, 1956; and as subsequently amended through October 22, 1960.)

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PERMANENT UNIVERSITY FUND OF THE UNIVERSITY OF TEXAS  
INVESTMENT PROGRAM

Investment Requirements

Change in Investment Restrictions:

Constitution and subsequent interpretations of the Attorney General --

Authorize placing up to 50% of the total Permanent University Fund in --

Corporate bonds and stocks

Remainder to be invested in --

Government securities issued by --

The United States, State of Texas, and Texas Municipalities

Nature of the Permanent University Fund:

A perpetual endowment fund --

Principal cannot be expended for any purpose other than --

To purchase investment securities

Trading profits and losses to be credited and charged  
to principal

It follows that liquidity and marketability are of little relative  
importance in the selection of investment securities

Tax exemption is of no value

The size of the income return (especially cash income) is of major  
importance

Because a permanent endowment fund --

The volume of switching transactions would normally be small --

Switches made only --

To improve quality, i.e., to get out of a deteriorating  
situation or to improve yields where offsetting losses  
would not be too great

Investment Objectives:

A. Safety of principal, to be accomplished by --

1. Emphasis on quality --

Minimum quality standards as to all but United States  
Government securities

Continuous review after purchase

2. Diversification, especially as to corporate securities

B. High income return consistent with safety requirement

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Policies Governing Investment in Corporate and Government Securities

Investment of Cash:

A. To be limited exclusively to corporate securities until the Permanent University Fund's distribution as to types is as follows (the percentages to be based on book value--cost or amortized cost--of all securities purchased) --

- Government Securities (Issued by the United States, State of Texas, and Texas Municipalities) . . . . . 50%
- Corporate Bonds (including rail equipment trust certificates) and Preferred Stocks. . . . . 10
- Common Stocks. . . . . 40

B. Exceptions to the above provision, regarding exclusive purchase of corporate securities until the distribution is 50% in corporate securities, are approved as follows --

- 1. Temporary investment in United States Treasury Bills is authorized when a large amount of cash is received (for example, from bonus payments on mineral leases or from bond maturities), with the object of earning some income pending orderly investment of the funds in corporate securities. Such purchases of Treasury Bills are to be made at the discretion of the Staff Investment Committee.
- 2. Exchange of United States Treasury securities held by the Fund into refunding offers made by the Treasury Department is authorized, provided that those Treasury securities maturing prior to 1965 are not to be exchanged for Treasury securities with maturities extending beyond 1965. Such exchanges are to be made at the discretion of the Staff Investment Committee.

C. Any amendments to the above investment limitations or to the following investment policies require specific approval of the Board of Regents.

II. Sources of Funds for the Purchase of Corporate Securities:

A. New money paid into the Permanent University Fund from --

- 1. Royalties (oil, gas, water, etc.)
- 2. Bonus payments from sale of mineral leases
- 3. Mineral lease rentals

B. Proceeds from maturities of government securities

C. Proceeds from authorized sales of corporate and/or government securities --

- 1. It is not contemplated that government bond holdings will be sold in order to provide funds for the purchase of corporate securities. However, such sales may be authorized by the Board of Regents when government bonds can be sold advantageously.

III. Investment Standards and Diversification Patterns:

A. The sections following entitled "Minimum Investment Standards to Determine Eligibility for Purchase" and "Investment Diversification Patterns" for corporate securities, as approved by the Board of Regents, are to be adhered to by the Staff Investment Committee.

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Policies Governing Investment in Corporate and Government Securities  
(Continued)

IV. Eligibility for Specific Corporate Securities:

A. To be eligible for purchase, corporate bonds (including bonds issued by wholly-owned subsidiaries), preferred stocks, and common stocks must be issued by corporations which have been formally approved by the Board of Regents, as listed under the section entitled "Procedures," beginning on page 10, except as noted in Section IV. B, following:

B. Corporate bonds issued by corporations not on the approved list as outlined in IV. A. above must meet both the requirements of the Constitutional Amendment and the financial statement ratio standards and price requirement of the policy as formally approved by the Board of Regents as detailed below:

1. Constitutional Amendment Requirements --

- a. Company must be incorporated within the United States.
- b. Not more than 1% of the Permanent University Fund may be invested at any one time in securities issued by any one corporation.

2. Rating Requirement --

- a. Bonds must be rated "A" or higher by either Moody's or Standard & Poor's, with the following exception:

Bonds offered by private placement, by custom not rated, will carry the same rating as comparable bonds issued by the same company which have been rated "A" or better.

3. Financial Statement Ratio Standards --

a. Funded Debt to Book Value of Total Investment --

|                  |                     |
|------------------|---------------------|
| Public Utilities | - not to exceed 55% |
| Railroads        | - not to exceed 45% |
| Industrials      | - not to exceed 30% |

b. Times Bond Service Covered (before taxes) --

|                  |   |
|------------------|---|
| Public Utilities | - average of at least 5 times during past 5 years |
| Railroads        | - average of at least 6 times during past 5 years |
| Industrials      | - average of at least 7 times during past 5 years |

c. Net Profit (after taxes) to Book Value of Total Investment --

|   |  |
|---|--|
| Public Utilities and Financial Corporations | - average of at least 4-1/2% during past 5 years |
| Railroads                                   | - average of at least 4-3/4% during past 5 years |
| Industrials                                 | - average of at least 6% during past 5 years     |

4. Price Requirement --

- a. Yield on corporate bonds must exceed the prevailing yield on the longest term Treasury Bond by at least 1/4%.

5. Approval by the Board of Regents --

Any corporate bond meeting the above requirements is approved by the Board of Regents for purchase either on original offering or in the secondary market.

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Policies Governing Investment in Corporate and Government Securities  
(Continued)

V. Dollar Cost Averaging Principle:

A. Corporate securities are to be purchased on the dollar cost averaging principle, averaging to be based on industry groupings rather than on individual corporations --

That is --

1. When funds become available, securities are to be purchased without any attempt to appraise the short-term market trend; and
2. Although percentage allocations to the various industry groupings will be maintained substantially as approved, purchases of stocks of companies within each industry group will be weighted in favor of the companies considered to have better than average long-term investment merit and growth potentials. Size becomes a factor in weighting only when considered in relation to the Constitutional Amendment restriction that not more than 5% of the voting stock of any one corporation may be owned by the Permanent University Fund at any one time.

VI. Policies with Respect to Purchases and Sales of Corporate and Government Securities:

- A. As funds become available, the Endowment Office is authorized to purchase corporate and government securities within the policies and program as approved by the Board of Regents.
- B. Sales of corporate and government securities, except for sales of temporary investments in Treasury Bills, require prior approval of the Board of Regents. Liquidation of Treasury Bills prior to maturity is to be made at the discretion of the Staff Investment Committee. After approval by the Board of Regents, the Endowment Office is empowered to effect the authorized sales.
- C. All purchases and sales of corporate and government securities shall be reported through the Regents' Land and Investment Committee to the Board of Regents at the next following meeting for ratification and approval.

VII. Policies with Respect to Stock Rights, Fractional Shares and Proxies:

- A. As a general rule, stocks rights received are to be exercised. In each instance, exercise or sale of the rights is to be made at the discretion of the Staff Investment Committee.
- B. As a general rule, fractional shares received from stock dividends, etc., are to be sold. In each instance, the decision to round out fractional shares or to sell will be made by the Staff Investment Committee.
- C. With few exceptions, voting stocks held are to be voted by returning proxies to present management. Exceptions require approval of the Board of Regents.



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Minimum Investment Standards to Determine Eligibility for PurchaseAs to Quality:

- \*A. Stocks must be issued by companies incorporated within the United States.
- \*B. Except for bank and insurance shares, stocks must be listed on a registered security exchange.
- \*C. Stock must have an unbroken dividend record over the preceding ten years.
- D. Issuer must be one of the leading corporations in its industry.
- \*E. Not more than 1% of the Permanent University Fund may be invested at any one time in securities issued by any one corporation.
- \*F. Not more than 5% of the voting stock in any one corporation may be owned by the Permanent University Fund at any one time.
- G. Corporate bonds must be rated "A" or higher by either Moody's or Standard & Poor's.
- H. The corporation must measure up to the following minimum financial statement ratio standards. (These standards apply to initial purchase only. If after purchase, a corporation should drop below the minimum levels, the Staff Investment Committee will decide whether or not to recommend sale of the corporation's securities held by the Fund.) --

## 1. Bonded Debt to Book Value of Total Investment# --

Public Utilities - not to exceed 55%  
 Railroads - not to exceed 45%  
 Industrials - not to exceed 30%

#Total Investment is Fixed Liabilities plus Net Worth.

## 2. Times Bond Service Covered (before taxes) --

Public Utilities - average of at least 5 times during past 5 years  
 Railroads - average of at least 6 times during past 5 years  
 Industrials - average of at least 7 times during past 5 years

## 3. Net Profit (after taxes) to Book Value of Total Investment --

Public Utilities and Financial Corporations - average of at least  
 4-1/2% during past 5 years  
 Railroads - average of at least 4-3/4% during past 5 years  
 Industrials - average of at least 6% during past 5 years

\*Required by provisions of Constitutional Amendment authorizing investment in corporate securities for the Permanent University Fund.

As to Price:

- A. As a general rule, corporate bonds and preferred stocks will be purchased to the extent possible at yields to exceed the yield on the longest term Treasury Bond by the following minimum margins:

Corporate Bonds - 1/4%

Preferred Stocks - 1/2%

Investment Diversification Patterns

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Size of Permanent University Fund when Investment Diversification Patterns Become in Balance:

That is, 50% in Government Securities and 50% in Corporate Securities

Assumptions (From September 1, 1960 through August 31, 1968) --

|  |                          |
|--|--------------------------|
| Size of Permanent University Fund as of August 31, 1960 . . . . .  | <u>Millions</u><br>\$350 |
| <u>Add --</u>  |                          |
| Estimated Additions (new money and profit from sales of securities) for Next Eight Years - at Average Annual Rate of \$19 Million. . . . . | <u>152</u>               |
| Estimated Total Size of Permanent University Fund as of August 31, 1968 . . . . .  | <u>\$502</u>             |

Broad Investment Diversification Patterns --

|   |              |
|---|--------------|
| Total Government Securities Held as of August 31, 1960 . . . . .  | \$272        |
| <u>Deduct --</u>  |              |
| Government Security Maturities through August 31, 1968 . . . . .  | <u>18</u>    |
| Total Government Securities to Be Held as of August 31, 1968 . . . . .  | <u>254</u>   |
| Total Corporate Securities Held as of August 31, 1960 . . . . .   | 78           |
| <u>Add --</u>   |              |
| Investment of All Additions Estimated to Be Received through August 31, 1968, in Corporate Securities . . . . . | <u>152</u>   |
| Reinvestment of All Government Security Maturities through August 31, 1968, in Corporate Securities . . . . .   | <u>18</u>    |
| Estimated Total Corporate Securities to Be Held as of August 31, 1968 . . . . .                                 | <u>248</u>   |
| Estimated Total to Be Held in All Securities as of August 31, 1968 . . . . .                                    | <u>\$502</u> |

Broad Investment Diversification Patterns Balance --

If above assumptions are realized, the broad diversification patterns balance would be achieved early in the 1968-69 fiscal year --

When the Permanent University Fund reaches over \$502 million

When the balance is achieved, purchases in all classes of securities, including government securities in all eligible categories, would be resumed so as to maintain the balance as required by the Constitutional Amendment of at least 50% in government securities.

Investment Diversification Patterns by Types of Securities:

When the Permanent University Fund reaches an approximate total of \$500,000,000 --

|  | <u>Total<br/>Approximate<br/>Amount</u> | <u>Per Cent</u> |
|--|---|-----------------|
| A. United States Government Securities and Texas Municipal Bonds . . . . . | \$250,000,000                           | 50%             |
| B. Corporate Bonds and Preferred Stocks . . . . .                          | 50,000,000                              | 10              |
| C. Common Stocks . . . . .   | <u>200,000,000</u>                      | <u>40</u>       |
| Totals . . . . .   | <u>\$500,000,000</u>                    | <u>100%</u>     |

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Investment Diversification Patterns  
(Continued)

III. Corporate Bonds and Preferred Stocks Broad Diversification Patterns:

Based on estimated total of \$50,000,000 in corporate bonds and preferred stocks --

Investment of about \$500,000 or \$250,000 each purchase, depending upon size of individual issue

|  | <u>No.<br/>Issues</u> | <u>Total<br/>Approximate<br/>Amount</u> | <u>Per Cent</u> |
|--|-----------------------|---|-----------------|
| A. Industrials . . . . .                         | 15                    | \$ 7,500,000                            | 15%             |
| B. Public Utilities. . . . .                     | 120                   | 40,000,000                              | 80              |
| C. Railroads (including rail equipment). . . . . | 2                     | 1,000,000                               | 2               |
| D. Finance Companies . . . . .                   | <u>3</u>              | <u>1,500,000</u>                        | <u>3</u>        |
| Totals . . . . .                                 | <u>140</u>            | <u>\$50,000,000</u>                     | <u>100%</u>     |

IV. Common Stocks Broad Diversification Patterns:

Based on estimated total of \$200,000,000 in common stocks --

Average investment of about \$50,000 each purchase in common stocks of all companies except banks and insurance companies where each purchase averages about \$20,000.

Total amount invested in common stock of each company depends upon the weight assigned to each company within a particular industry group, weights being subject to change at any time when deemed advisable by Staff Investment Committee

|                                    | <u>No.<br/>Issues</u> | <u>Total<br/>Approximate<br/>Amount</u> | <u>Per Cent</u> |
|------------------------------------|-----------------------|---|-----------------|
| A. Industrials . . . . .           | 76                    | \$127,000,000                           | 63.5%           |
| B. Public Utilities. . . . .       | 28                    | 48,000,000                              | 24.0            |
| C. Railroads . . . . .             | 3                     | 4,000,000                               | 2.0             |
| D. Financial Corporations. . . . . | <u>29</u>             | <u>21,000,000</u>                       | <u>10.5</u>     |
| Totals . . . . .                   | <u>136</u>            | <u>\$200,000,000</u>                    | <u>100.0%</u>   |

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Investment Diversification Patterns  
(Continued)

Common Stocks Diversification Patterns by Industries:

Based on per cent of total common stocks --

A. Industrials (Based on total of \$127,000,000)

|  | No.<br>Issues | Total<br>Approximate<br>Amount | Per Cent    |
|--|---------------|--------------------------------|-------------|
| <u>Group I (Earning Power Stable - 25.0%)</u>                      |               |                                |             |
| 1. Food and Household. . . . .                                     | 7             | \$ 12,000,000                  | 6.0%        |
| 2. Chemical Products . . . . .                                     | 6             | 10,000,000                     | 5.0         |
| 3. Containers. . . . .   | 3             | 4,000,000                      | 2.0         |
| 4. Paper Products. . . . .   | 5             | 6,000,000                      | 3.0         |
| 5. Retail Trade (Merchandising). . . . .                           | 4             | 6,000,000                      | 3.0         |
| 6. Tobacco Products. . . . .                                       | 2             | 3,000,000                      | 1.5         |
| 7. Drugs . . . . .   | 5             | 9,000,000                      | 4.5         |
| Sub-Total - Group I . . . . .                                      | (32)          | ( 50,000,000)                  | (25.0)      |
| <u>Group II (Some Variation in Earning Power - 23.0%)</u>          |               |                                |             |
| 1. Air Transport . . . . .   | 0             | -                              | -           |
| 2. Building Materials. . . . .                                     | 5             | \$ 10,000,000                  | 5.0%        |
| 3. Electrical - Electronic . . . . .                               | 5             | 10,000,000                     | 5.0         |
| 4. Office Equipment. . . . .                                       | 3             | 6,000,000                      | 3.0         |
| 5. Petroleum Products. . . . .                                     | 9             | 16,000,000                     | 8.0         |
| 6. Synthetic Fibres and Textiles . . . . .                         | 0             | -                              | -           |
| 7. Tires and Rubber Products . . . . .                             | 3             | 4,000,000                      | 2.0         |
| Sub-Total - Group II. . . . .                                      | (25)          | ( 46,000,000)                  | (23.0)      |
| <u>Group III (Considerable Variation in Earning Power - 11.0%)</u> |               |                                |             |
| 1. Autos & Auto Parts. . . . .                                     | 3             | \$ 5,000,000                   | 2.5%        |
| 2. Machinery & Equipment . . . . .                                 | 3             | 4,000,000                      | 2.0         |
| 3. Metals - Nonferrous . . . . .                                   | 3             | 3,000,000                      | 1.5         |
| 4. Steel and Iron. . . . .   | 5             | 10,000,000                     | 5.0         |
| Sub-Total - Group III . . . . .                                    | (14)          | ( 22,000,000)                  | (11.0)      |
| <u>Group IV (Miscellaneous)</u> . . . . .                          | ( 5)          | ( 9,000,000)                   | ( 4.5)      |
| Totals - Industrials . . . . .                                     | <u>76</u>     | <u>127,000,000</u>             | <u>63.5</u> |

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Investment Diversification Patterns  
(Continued)

Common Stocks Diversification Patterns by Industries:  
(Continued)

B. Public Utilities (Based on total of \$48,000,000)

|  | No.<br>Issues | Total<br>Approximate<br>Amount | Per Cent |
|--|---------------|--------------------------------|----------|
| 1. Light and Power . . . . .             | 26            | \$ 44,000,000                  | 22.0%    |
| 2. Gas Service and Transmission. . . . . | 0             | -                              | -        |
| 3. Telephone and Telegraph . . . . .     | 2             | 4,000,000                      | 2.0      |
| Totals - Public Utilities. . . . .       | 28            | 48,000,000                     | 24.9     |

C. Railroads (Based on total of \$4,000,000).

|   |              |      |
|---|--------------|------|
| 3 | \$ 4,000,000 | 2.0% |
|---|--------------|------|

D. Financial Corporations (Based on total of \$21,000,000)

|   |     |               |        |
|---|-----|---------------|--------|
| 1. Banks . . . . .                        | 15  | \$ 11,000,000 | 5.5%   |
| 2. Fire & Casualty Insurance Cos. . . . . | 6   | 3,000,000     | 1.5    |
| 3. Life Insurance Companies. . . . .      | 5   | 3,000,000     | 1.5    |
| 4. Finance Companies . . . . .            | 3   | 4,000,000     | 2.0    |
| 5. Mutual Funds. . . . .                  | 0   | -             | -      |
| Totals - Financial Corporations. . . . .  | 29  | 21,000,000    | 10.5   |
| TOTALS - ALL CORPORATIONS . . . . .       | 136 | \$200,000,000 | 100.0% |

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ProceduresChanges in Investment Policies and in Lists of Approved Corporations and of Approved Broker-Dealer Firms:

- A. To be initiated by the Staff Investment Committee and requiring approval of the Chairman of the Committee --
1. Comprised of --
    - Vice Chancellor (Fiscal Affairs), Chairman
    - Endowment Officer
    - Assistant to the Endowment Officer
- B. Recommended changes to be submitted through the Regents' Land and Investment Committee to the Board of Regents for approval
- C. Investment Advisory Committee --
1. Comprised of --
    - Four members selected from the investment and trust department staffs of the larger commercial banks in Texas, from the investment department staffs of the larger life insurance companies in Texas, and from financial officers of public utility corporations in Texas.
  2. Selection procedure --
    - Recommended by the Vice Chancellor (Fiscal Affairs) --
    - Approved by the Board of Regents
  3. Meetings -- Quarterly beginning March 1, 1957
  4. Functions --
    - To advise Staff Investment Committee concerning recommendations as to --
      - Changes in investment policies and procedures
      - Changes in list of approved corporations
      - Changes in security purchase and sale patterns
  5. Consultant Fee -- \$100 each member per meeting attended
  6. Term -- Four-year rotation system with the term of one member expiring each August 31

Purchases and Sales of Corporate and Government Securities:

- A. The Staff Investment Committee is empowered to determine the following --
1. The weights to be assigned to the companies within each industry group for the purchase of common stocks
  2. The specific corporate and government securities to be purchased and the timing of such purchases as cash becomes available for investment
  3. The timing of sales authorized by the Board of Regents
- B. Decisions of the Staff Investment Committee shall be by majority vote, with the vote of the Chairman decisive. In the absence of the Chairman, the Endowment Officer shall serve as Acting Chairman of the Committee.
- C. The specific issues of corporate and government securities purchased are to be presented to the next subsequent meeting through the Regents' Land and Investment Committee to the Board of Regents for ratification and approval.



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Procedures  
(Continued)

Approved List of Corporations for Bonds, Common and Preferred Stock Purchases  
(As approved through July 2, 1960)

A. INDUSTRIAL CORPORATIONS --

Group I (Earning power stable - 25.0%)

1. Food and Household:

Borden Company, The  
Coca-Cola Company, The  
Corn Products Company  
General Foods Corporation  
National Biscuit Company  
National Dairy Products Corporation  
Procter & Gamble Company, The

2. Chemical Products:

Allied Chemical Corporation  
American Cyanamid Company  
Dow Chemical Company, The  
E. I. du Pont de Nemours & Company  
Monsanto Chemical Company  
Union Carbide Corporation

3. Containers:

American Can Company  
Continental Can Company, Inc.  
Owens-Illinois Glass Company

4. Paper Products:

Crown Zellerbach Company  
International Paper Company  
Kimberly-Clark Corporation  
Scott Paper Company  
Union Bag-Camp Paper Corporation

5. Retail Trade (Merchandising):

Federated Department Stores, Inc.  
Kroger Co., The  
J. C. Penney Company, Inc.  
Sears, Roebuck and Company

6. Tobacco Products:

American Tobacco Company, The  
R. J. Reynolds Tobacco Company

7. Drugs:

American Home Products Corporation  
Merck and Company  
Parke, Davis & Company  
Chas. Pfizer & Company, Inc.  
Smith Kline & French Laboratories, Inc.

Approved List of Corporations for Bonds, Common and Preferred Stock Purchases  
(As approved through July 2, 1960) (Continued)

A. INDUSTRIAL CORPORATIONS (Continued)---

Group II (Some Variation in earning power - 23.0%)

1. Air Transport - None

2. Building Materials:

Armstrong Cork Company  
Johns-Manville Corporation  
Otis Elevator Company  
Pittsburgh Plate Glass Company  
U. S. Gypsum Company

3. Electrical - Electronic:

Bendix Corporation, The  
General Electric Company  
Minneapolis-Honeywell Regulator Company  
McGraw-Edison Company  
Westinghouse Electric Corporation

4. Office Equipment:

Addressograph-Multigraph Corporation  
International Business Machines Corporation  
National Cash Register Company, The

5. Petroleum Products:

Continental Oil Company (Delaware)  
Gulf Oil Corporation  
Phillips Petroleum Company  
Shell Oil Company  
Sinclair Oil Corporation  
Socony Mobil Oil Company, Inc.  
Standard Oil Company of California  
Standard Oil Company (New Jersey)  
Texaco Inc.

6. Synthetic Fibres and Textiles - None.

7. Tires and Rubber:

Firestone Tire & Rubber Company, The  
B. F. Goodrich Company, The  
Goodyear Tire and Rubber Company, The

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Procedures  
(Continued)

Approved List of Corporations for Bonds, Common and Preferred Stock Purchases (cont.)  
(As approved through July 2, 1960) (Continued)

A. INDUSTRIAL CORPORATIONS (Continued) --

Group III (Considerable variation in earning power - 11.0%)

1. Autos and Auto Parts:

Ford Motor Company  
General Motors Corporation  
Libbey-Owens-Ford Glass Company

2. Machinery & Equipment:

Caterpillar Tractor Co.  
Ex-Cell-C Corporation  
Ingersoll-Rand Company

3. Metals - Nonferrous:

Aluminum Company of America  
American Smelting & Refining Company  
Kennecott Copper Corporation

4. Steel and Iron:

Armco Steel Corporation  
Bethlehem Steel Corporation  
Inland Steel Company  
Republic Steel Corporation  
United States Steel Corporation

Group IV (Miscellaneous)  
(4.5%)

Corning Glass Works  
Eastman Kodak Company  
Minnesota Mining & Manufacturing Company  
National Lead Company  
General American Transportation Corporation

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Procedures  
(Continued)

Approved List of Corporations for Bonds, Common and Preferred Stock Purchases  
(As approved through July 2, 1960) (Continued)

B. PUBLIC UTILITY CORPORATIONS --

1. Light and Power - (22.0%):

American Electric Power Company, Inc.  
Baltimore Gas and Electric Company  
Carolina Power and Light Company  
Central and South West Corporation  
Cincinnati Gas and Electric Company, The

Cleveland Electric Illuminating Company  
Commonwealth Edison Company  
Consumers Power Company  
Detroit Edison Company, The  
Florida Power and Light Company

Gulf States Utilities Company  
Houston Lighting & Power Company  
Ohio Edison Company  
Oklahoma Gas and Electric Company  
Pacific Gas and Electric Company

Philadelphia Electric Company  
Potomac Electric Power Company  
Public Service Company of Colorado  
Public Service Electric and Gas Company  
Public Service Company of Indiana, Inc.

Southern Company, The  
Southern California Edison Company  
Texas Utilities Company  
Utah Power & Light Company  
Virginia Electric & Power Company  
Wisconsin Electric Power Company

2. Gas Service and Gas Transmission - (None)

3. Telephone and Telegraph Service - (2.0%):

American Telephone and Telegraph Company  
General Telephone & Electronics Corporation

C. RAILROADS -- (2.0%):

Atchison, Topeka & Santa Fe Railway Company, The  
Norfolk & Western Railway Company  
Union Pacific Railroad Company

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Procedures  
(Continued)

Approved List of Corporations for Bonds, Common and Preferred Stock Purchases  
(As approved through July 2, 1960) (Continued)

D. FINANCIAL CORPORATIONS --

1. Banks - (5.5%):

a. New York City Banks:

Bankers Trust Company  
Chase Manhattan Bank  
Chemical Bank New York Trust Company  
First National City Bank of New York, The  
Marine Midland Corporation

b. Other Eastern Banks:

First National Bank of Boston, The  
Mellon National Bank and Trust Company (Pittsburgh, Pa.)

c. Middle West Banks:

Continental Illinois National Bank & Trust Co. of Chicago  
First National Bank of Chicago, The  
National Bank of Detroit

d. Southwest Banks:

First National Bank in Dallas  
First City National Bank of Houston  
Republic National Bank of Dallas

e. Pacific Coast Banks:

Bank of America National Trust & Savings Association  
(San Francisco, Calif.)  
Security First National Bank (Los Angeles, Calif.)

2. Finance Companies - (2.0%):

C. I. T. Financial Corporation  
Commercial Credit Company  
Household Finance Corporation

3. Fire and Casualty Insurance Companies - (1.5%):

Continental Casualty Company  
Federal Insurance Company  
Hartford Fire Insurance Company  
Insurance Company of North America  
St. Paul Fire & Marine Insurance Company  
United States Fidelity and Guaranty Company (Baltimore, Md.)

4. Life Insurance Companies - (1.5%):

Aetna Life Insurance Company  
Connecticut General Life Insurance Company  
Lincoln National Life Insurance Company  
National Life & Accident Insurance Company, The (Nashville, Tenn.)  
Travelers Insurance Company, The

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Procedures  
(Continued)

Purchase (and Sale) of Securities:

A. Individuals Authorized to Place Purchase and Sale Orders --

In the order as listed below --

Assistant to the Endowment Officer  
Senior Security Analyst  
Endowment Officer  
Vice Chancellor (Fiscal Affairs)

B. Orders Placed --

Through broker and dealer firms on the approved list --

At the discretion of the Endowment Office, orders to be placed either with the main office of the New York Stock Exchange member firm or with a local Texas office (bona fide branch office or Texas firm correspondent).

The firm to allocate commission fees to its offices and correspondents in Texas, if any.

In the case of unlisted securities and secondary offerings --

Whenever practicable, two approximately simultaneous offers will be taken.

Selection of Security Brokers and Dealers:

A. Objectives --

1. To obtain sound information and advice
2. To get the best possible price
3. To obtain efficient handling of orders
4. To distribute the business fairly --

Among a limited number of firms which can render exceptional service

B. Criteria for Selection --

1. Well-established and well-regarded firms, with adequate capital financing
2. With very few exceptions, members of the New York Stock Exchange
3. Firms operating excellent research departments

C. Selection procedure --

1. Recommended by Staff Investment Committee --

Approved by the Board of Regents.



## APPENDIX A

10-22-60

THE UNIVERSITY OF TEXAS  
PERMANENT UNIVERSITY FUND LANDS

REQUIRED OPERATING AND REPORTING PROCEDURES UNDER UNIVERSITY OIL AND GAS LEASES  
AND UNDER GEOPHYSICAL EXPLORATION PERMITS  
(October 22, 1960)

There follows a listing of certain required operating and reporting procedures under University of Texas oil and gas leases and under geophysical exploration permits on Permanent University Fund Lands. These requirements have been set out by the Board of Regents of The University of Texas and the Board for Lease of University Lands in accordance with the terms of the leases, the permits, and the Laws of the State of Texas and the terms thereof which authorize the promulgation of such rules and regulations as will best protect the University, its lands, and the income therefrom:

I. OIL AND GAS LEASES:

A. INFORMATION TO BE MAILED TO:

Commissioner of the General Land Office  
Land Office Building  
Austin 14, Texas

1. Notice of Intention to Drill.--This notice is to be filed before, or coincidental with, the commencement of operations on each well drilled on the lease, accompanied by a plat showing the location of such well or wells. Copy of Railroad Commission Form 1 will satisfy this requirement.
2. Log of Well and Statement of Condition.--A complete log of the well and statement of condition upon completion is to be filed within thirty (30) days after completion as a producer or within thirty (30) days after plugging if well is dry. Copy of Railroad Commission Form 2, or 2-A will comply with this requirement.
3. Affidavit of Production.--Separate sworn monthly statements for oil and for gas for each producing horizon shall be filed not later than the 20th day of the month following the month in which production is secured, showing the amount of oil and/or gas produced in any manner, and sold, used, or wasted, during the previous month and the market value of the oil and/or gas. Printed forms of such monthly statements are available from the General Land Office.
4. Production Records.--
  - a. The following are to be filed after the lease is on production basis, or if oil or gas be produced while drilling, and not later than the 20th day of the month immediately following the month during which such production was secured:
    - (1) Copies of all daily gauge reports, pipe line or truck transport run tickets, both actual or void; or meter readings, the pipe line statement for oil or condensate sold, used, lost, or moved off the lease; invoices for the trucking of oil or condensate where the cost thereof reduces the royalty valuation; gas statements; a copy of the Railroad Commission's Form 3-266-A; and any other memoranda pertaining to the production and sale, use or loss of oil and/or gas. The term memoranda as used herein does not include Railroad Commission "EB" reports. Please do NOT transmit any Railroad Commission forms other than those cited on this page to the above address.

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- (2) Common tankage, Commingling, LACT Equipment and Vapor Recovery Units.--Applications for permission to utilize common tankage or commingling, or to install and utilize Lease Automatic Custody Transfer equipment and/or Vapor Recovery units must be filed in accordance with the Board for Lease regulations pertaining to the same. Copies of these regulations can be obtained from the Secretary of the Board for Lease of University Lands or from the Geologist-in-Charge of University Lands.
- b. The following are to be filed as soon as each becomes available:
- (1) Tank Tables, and any revision thereof.
  - (2) Copies of any contracts made for the sale of gas; or contracts made for trucking oil, if the cost thereof will be charged against the royalty valuation of the oil sold.
  - (3) Notice of cessation of all production of oil and/or gas from a University lease.
  - (4) Correction run tickets, whenever issued.
- c. Affidavits of ownership for oil or any other substances brought onto a lease which will be commingled with oil produced from the lease for use in fracturing or otherwise treating a well; such affidavit to set forth the nature and volume of said substance. Where outside lessee-owned substances are injected into a well, lessee may take credit for a similar volume of like substances actually recovered. Credit will not be allowed on a dollar basis for the cost for such injected and/or recovered substances. Royalty is due and owing and shall be paid where oil is removed from a tank for use on the same lease. Subsequent credit may be claimed by affidavit of ownership.
5. Assignments.--Assignment of the rights acquired under an oil and gas lease on University Lands are governed by the provisions of the statute and amendments thereof under which the particular lease was issued. No assignment may be made to cover less than forty (40) acres, unless there are less than forty (40) acres remaining in any survey, in which case such lesser area may be assigned. Every assignment must be properly recorded in the county or counties in which the area assigned lies before presenting it to the General Land Office for filing. A fee of One Dollar (\$1.00) is required by the General Land Office for filing each assignment. However, all leases issued under Chapter 282, 41st Legislature, Regular Session, 1929, and amendments thereof, specifically provide that all assignments of leases issued thereunder are to be recorded in the county or counties in which the area may be situated; and the original assignment or a certified copy of the assignment from the County Clerk of the county or counties in which the land is situated is to be filed in the General Land Office within one hundred (100) days after the date of the first acknowledgment thereof, accompanied by a filing fee of One Dollar (\$1.00) for each instrument presented for filing, and ten cents (10¢) per acre for each acre assigned. If not so filed and payments so made, the assignment will not be effective.

Assignments of horizontal levels in a University oil and gas lease cannot be filed in the General Land Office, in accordance with statutory provisions. Such horizontal assignments are considered as contracts between the lessee and his assignee, and the State continues to look to the owner of record in the General Land Office for full compliance with the statutes and terms of the lease contract.

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OIL AND GAS LEASES - continued

6. Relinquishments.--All rights to any whole lease and to any assigned portion thereof may be relinquished to the State at any time by having an instrument of relinquishment recorded in the county or counties in which the land may be situated and the original or a certified copy of the relinquishment filed in the General Land Office, accompanied by One Dollar (\$1.00) as a relinquishment fee for each area relinquished, an additional fee of One Dollar (\$1.00) is required for filing an instrument of relinquishment in the General Land Office. Such assignment or relinquishment will not relieve the owner of any past due obligations previously accrued thereon, nor impair the lessor's lien provided for in the lease.
7. Procedure to be Followed Upon Abandonment of Producing Leases:
- a. Lessees shall file with the Commissioner of the General Land Office final affidavits of production, required supporting documents and all other papers theretofore required to be filed, and shall make payment in full of all sums owing under said lease. A copy of the letter transmitting such documents shall be mailed to the Auditor, Oil and Gas Production, The University of Texas, Land Office Building (State Archives and Library Building, after this department is moved to this building), Austin, Texas.
  - b. The Commissioner of the General Land Office shall, immediately upon receipt of the above documents and payments, determine if all sums due and owing under said lease have been paid in full and if there has been compliance with all statutory requirements. Whenever proper, and with the concurrence of the General Land Office, the Land and Title Registrar of The University of Texas, at the earliest practicable date, shall notify the Geologist-in-Charge of University Lands that all sums owing have been paid in full and of compliance with all statutory requirements. Letters to rectify irregularities by lessees shall be initiated by the Land and Title Registrar for the signature of the Commissioner of the General Land Office.
  - c. The Geologist-in-Charge, University Lands, upon receipt of the above information and when otherwise proper, shall, upon application therefor, issue his consent in writing to the lessee permitting abandonment of said lease.

B. INFORMATION TO BE MAILED TO:

University Lands - Geology  
 Attention: Mr. Berte R. Haigh, Geologist-in-Charge  
 P. O. Drawer 553  
 Midland, Texas

1. One week's advance notice of any move-in must be reported in writing, giving the location of the well and the name and address of the operator. Where the lease is to be drilled under a farm-out arrangement, this should be so stated with the farm-out operator to be named and approved in advance of the actual move-in.
2. A copy of each and every form and/or document that pertains to the operation of the lease and is filed with the Texas Railroad Commission. These copies are to be filed with us within five (5) days if possible and in no event later than ten (10) days after the filing of the same, with the Commission.
3. Copies of the log of any electrical or radioactive surveys made on well or wells drilled to be filed if possible within fifteen days and in no event later than thirty (30) days after the running of the survey.

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OIL AND GAS LEASES - continued

4. Meter calibration data reports as required in the Board for Lease of University Lands Common Tankage Regulations; copies of all LACT meter proving data reports; and all similar information required by University regulations or justifiably requested by University supervisory personnel.

C. INFORMATION TO BE MAILED OR SUBMITTED TO:

University Oil Supervisor and Land Agent  
Attention: Mr. E. J. Compton  
Texon, Texas

1. A carbon copy of the notice of move-in required under B. 1. above.
2. In addition, ALL OPERATORS MUST CONTACT THE UNIVERSITY OIL SUPERVISOR AND LAND AGENT SO AS TO EXPEDITE AND COORDINATE THE MOVE-IN WITH THE SURFACE LESSEE. The operator should contact the University Oil Supervisor and Land Agent at least TWO DAYS in advance of the move-in.
3. A report on the amount and purpose of any damages paid to surface lessee.

D. UNIFORM SCHEDULE OF MAXIMUM DAMAGES TO BE PAID SURFACE LESSEES FROM OIL AND GAS DEVELOPMENT OPERATIONS.--

1. Maximum damage fees to be paid for oil and gas development operations are on the following basis:
  - a. Well location Charges (including space for tank batteries) : \$100.00 per location.
  - b. Skidding of Rig and Drilling Operations : No charge unless a road or tract is bladed out; \$50.00 per mile if grading or bulldozer equipment is used.
  - c. Road Construction : No charge for use of existing roads; \$50.00 per mile for new road construction.
  - d. Pipe Line Construction : 25¢ per rod for gathering lines.  
50¢ per rod for transmission lines up to and including eight (8) inches in diameter.  
75¢ per rod for transmission lines over eight (8) inches.  
10¢ per rod for water and fuel lines used for drilling purposes and removed when well is completed.
  - e. Telephone and Power Lines : \$50.00 per mile.
  - f. Caliche Pits and Access Roads : \$50.00 per Pit and Access Road, but caliche must be obtained from location designated and approved by the University Oil Supervisor and Land Agent. The charge does not apply to State and County Highway Construction. All caliche pits must be leveled off in an acceptable manner. Since all caliche is the property of The University of Texas and not of the surface lessee, no surface lessee may demand, receive, or be paid any sum as purchase price or royalty for any caliche removed.

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OIL AND GAS LEASES - continued

g. Fences

: No fences can be cut or gates or cattle guards installed without permission of the University Oil Supervisor and Land Agent.

- 2. No surface lessee will be permitted to charge, and no oil or gas operator may pay to a surface lessee, any damages IN EXCESS of the damages provided in the above schedule for oil and gas development operations.
- 3. A report on the amount and purpose of any damages paid to surface lessee must be mailed to: University Oil Supervisor and Land Agent, Attention: Mr. E. J. Compton, Texon, Texas.

E. LIABILITY OF OIL AND GAS OPERATORS.--These regulations do not in any way limit the liability of an oil and/or gas operator in an action at law for any damages inflicted upon a surface lessee by reason of acts of negligence.

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## II. GEOPHYSICAL PERMITS:

### A. INFORMATION TO BE MAILED OR SUBMITTED TO.--

University Land Agent  
Texon, Texas  
Attention: Mr. E. J. Compton

1. All Geophysical and other permittees shall contact the University Land Agent in advance of the commencement of work so as to expedite and coordinate activities with the surface lessee and oil and/or gas lessee and to permit the assignment of a University Inspector.
2. Copies of contract and/or agreement, if any, entered into between Permittee and holders of surface or mineral rights over lands to be explored under the permit issued.
3. Permittee shall furnish original copies of letter of permission from grazing lessees in the sheep county (Crockett, Irion, Reagan, Upton, Schleicher, Terrell, and Pecos Counties) before field work can be commenced under geophysical exploration permits in such country for the period December 15 to May 1.
4. A report on the amount and purpose of any damages paid to surface lessee.

### B. INFORMATION TO BE MAILED TO.--

University Lands - Geology  
P. O. Drawer 553  
Midland, Texas  
Attention: Mr. Berte R. Haigh

1. Permittee shall transmit, not later than ten (10) days after the closing date of the permit, a certified map showing the approximate location of the shot holes or station points used in each survey made under the permit, the surface elevation of said shot holes or station points, the depth of each hole drilled, the water sands encountered, and an estimate of the amount of water, if any, in each hole. Maps and plats herein referred to shall be identified by Block, Section, and Permit number.

### C. INFORMATION, WHEN REQUESTED, TO BE MAILED BY REGISTERED OR CERTIFIED MAIL TO.--

Board of Regents  
The University of Texas  
Care of: Endowment Officer  
P. O. Box 7986  
Austin, Texas

1. Upon written request by the Endowment Officer, after recommendation therefor by the Geologist-in-Charge, University Lands, within sixty (60) days after the closing date of this permit, Permittee agrees to transmit to the Board of Regents, The University of Texas, care of The Endowment Officer, P. O. Box 7986, Austin 12, Texas, within thirty (30) days after receipt of aforesaid request, a plat for each horizon investigated under this permit. Such plat shall have posted thereon the location of each shot hole and station point used in the survey, together with the corrected or adjusted instrument readings recorded for each station point, and the plat shall be so contoured as to present correctly Permittee's interpretation of the geological conditions considered, as a result of this survey, to exist in the lands covered by this permit. Such plat shall be certified as to correctness by Permittee or his duly authorized representative. University will keep information submitted strictly confidential. Maps and plats referred to shall be identified by County and by Block, Section and Permit number.



D. UNIFORM SCHEDULE OF MAXIMUM DAMAGES TO BE PAID SURFACE LESSEES FROM GEOPHYSICAL EXPLORATION OPERATIONS.--

1. Maximum damage fees to be paid for seismic operations shall be on the following basis:

a. Single Shot (Reflection or Refraction Shooting) : \$10.00 per shot hole.

b. Pattern Shooting:

Group 1. Where no hole in pattern is in excess of 60 feet in depth.

|   |         |
|---|---------|
| Patterns of 36 holes or less per pattern        | \$10.00 |
| Patterns of 37 to 75 holes, incl., per pattern  | 15.00   |
| Patterns of 76 to 100 holes, incl., per pattern | 20.00   |
| Patterns of more than 100 holes, per pattern    | 25.00   |

Group 2. Where one or more holes in pattern is more than 60 feet but less than 101 feet in depth.

|   |         |
|---|---------|
| Patterns of 36 holes or less, per pattern       | \$20.00 |
| Patterns of 37 to 75 holes, incl., per pattern  | 25.00   |
| Patterns of 76 to 100 holes, incl., per pattern | 30.00   |
| Patterns of more than 100 holes, per pattern    | 35.00   |

Group 3. Where one or more holes in pattern is 101 feet or more in depth.

|   |         |
|---|---------|
| Patterns of 36 holes, or less, per pattern      | \$30.00 |
| Patterns of 37 to 75 holes, incl., per pattern  | 35.00   |
| Patterns of 76 to 100 holes, incl., per pattern | 40.00   |
| Patterns of more than 100 holes, per pattern    | 45.00   |

c. Seismic weight-dropping : \$25.00 per day.

d. Gravimeter and Magnetometer Survey Operations : \$10.00 per day per crew.

e. Geological Surface Mapping Operations : \$5.00 per day per crew.

2. Permits to do geophysical prospecting in the "sheep country" (Crockett, Irion, Pecos, Reagan, Schleicher, Terrell, and Upton Counties) during the period of December 15 to May 1 will be granted by the University under the following conditions:

a. Permitted operation time will be strictly in accordance with the desires of the individual surface lessees of the area involved and permission in WRITING must be secured from each surface lessee involved before work is commenced. If a surface lessee arbitrarily refuses permission at all reasonable times during the period of December 15 to May 1, the University upon application may, nevertheless, approve such permit.

3. No surface lessee will be permitted to charge, and no permittee shall pay to any surface lessee any damages more than the above-established schedule for geophysical and other types of exploration operations.

4. A report on the amount and purpose of any damages paid to surface lessee shall be mailed to: University Land Agent, Texon, Texas, Attention: Mr. E. J. Compton.

E. LIABILITY OF GEOPHYSICAL OPERATION PERMITTEES.--

1. The regulations hereinabove contained do not in any way limit the liability of a geophysical operations permittee in an action at law for damages inflicted upon a surface lessee by reason of acts of negligence.