

Meeting No. 857

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

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October 11, 1991

Arlington, Texas

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 OF
 THE UNIVERSITY OF TEXAS SYSTEM
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 ARLINGTON, TEXAS

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MEETING NO. 857

FRIDAY, OCTOBER 11, 1991.--The members of the Board of Regents of The University of Texas System convened in regular session at 10:00 a.m. on Friday, October 11, 1991, in Conference Room 4 of E. E. Davis Hall at The University of Texas at Arlington, Arlington, Texas, with the following in attendance:

ATTENDANCE.--

Present

Chairman Beecherl, presiding
Vice-Chairman Ramirez
Vice-Chairman Cruikshank
Regent Barshop
Regent Holmes
Regent Loeffler
Regent Moncrief
Regent Rapoport
Regent Temple

Absent

Executive Secretary Dilly

Chancellor Mark
Executive Vice Chancellor Duncan
Executive Vice Chancellor Mullins
Executive Vice Chancellor Patrick

Chairman Beecherl announced a quorum present and called the meeting to order. On behalf of the Board, Chairman Beecherl congratulated Vice-Chairman Ramirez on his recent receipt of the Outstanding Alumnus Award from the University of Tennessee College of Medicine. He noted that the award recognizes Vice-Chairman Ramirez' extraordinary service to the University of Tennessee, to the medical profession, and to community improvement and acknowledged that the institution could not have found a more deserving honoree.

WELCOME BY DR. WENDELL H. NEDDERMAN, PRESIDENT OF THE UNIVERSITY OF TEXAS AT ARLINGTON.--Chairman Beecherl stated that the Board was pleased to be meeting at The University of Texas at Arlington and then called on Dr. Wendell H. Nedderman, President of U. T. Arlington, for any welcoming remarks on behalf of the host institution.

On behalf of the faculty, staff, and students of U. T. Arlington, President Nedderman welcomed the members of the Board and other guests to Arlington.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON AUGUST 8, 1991.--Upon motion of Regent Moncrief, seconded by Vice-Chairman Cruikshank, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on August 8, 1991, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXVIII, Pages 2517 - 2982.

SPECIAL ITEM

U. T. System: Permission for (a) Ms. Susan Bradshaw, (b) Mr. Lanvil Gilbert, (c) Mr. Jack M. Howard, and (d) Mr. Linward Shivers to Serve on the Interstate Oil and Gas Compact Commission [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for the following employees of The University of Texas System Office of General Counsel to serve on the Interstate Oil and Gas Compact Commission:

- a. Ms. Susan Bradshaw, Senior Attorney
- b. Mr. Lanvil Gilbert, Title Attorney
- c. Mr. Jack M. Howard, Lands Analyst
- d. Mr. Linward Shivers, Senior Attorney.

These individuals will serve on this Commission without remuneration for a term to continue at the pleasure of the Governor.

Governor Richards' appointment of these individuals to this Commission is of benefit to the State of Texas, creates no conflict with their regular duties at the U. T. System, and is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes, and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 10:03 a.m., the Board recessed for the meetings of the Standing Committees and Chairman Beecherl announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

The meetings of the Standing Committees were conducted in open session and the reports and recommendations of those committees are set forth on the following pages.

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 3 - 16).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Beecherl reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. System: Approval of 1992 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations (Exec. Com. Letter 91-27).--Upon recommendation of the Executive Committee, the Board adopted the following Budget Policies and Limitations and Calendar for preparation of the 1992 Operating Budgets for The University of Texas System:

1992 Budget Policies and Limitations

for General Operating Budgets,
Auxiliary Enterprises, Contracts and Grants,
Restricted Current Funds, Designated Funds, and
Service and Revolving Funds Activities

In preparing the draft of the Fiscal Year 1992 operating budgets, the chief administrative officer of each component institution should adhere to guidelines and policies as detailed below. Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from:

- General Revenue Appropriations
- Estimates of Educational and General Income
- Limited Use of Institutional Unappropriated Balances

1. The recommendations for salary increases for personnel are subject to the current regulations and directives included in the General Appropriations Bill. This bill states in part:

Article V, Sec. 146. Employee Salary Increase

"Sec. 146. EMPLOYEE SALARY INCREASE. Contingent upon a finding of fact by the Comptroller of Public Accounts at the time of certification or after certification of this Act that sufficient revenue is estimated to be available from the General Revenue Fund and special funds, there is hereby appropriated to the Comptroller of Public Accounts such amounts as may be available for the purpose of providing not more than a 3% salary increase each year of the 1992-93 biennium for state employees and officials, including employees of institutions of higher education.

"The Comptroller of Public Accounts shall promulgate rules and regulations which may be necessary to administer this provision."

To budget Art. V, Sec. 146, a "Transfer from Comptroller of Public Accounts" should be shown as a general revenue item in the "Method of Financing" section of the operating budget summary. This should not be done until we receive notice from the State Comptroller.

Article V, Sec. 67. Salaries to be Proportional by Fund

It is the intent of the Legislature that unless otherwise restricted payment for salaries, wages, and benefits paid from appropriated funds shall be proportional to the source of funds.

2. General Salary Policy (applicable to all fund sources) - Subject to certification of funding by the State Comptroller and based upon instructions yet to be issued, all employees, including faculty, may receive up to a 3% salary increase in accordance with Article V, Section 146. Specific instructions will be issued later to accomplish such increases upon receipt of rules and funds transfer. Such increases will be from FY 1991 individual salary levels unless subsequent instructions are to the contrary.

Subject to available resources, salary increases for faculty, administrative/professional staff, and classified staff are limited to equity adjustments or those designed to accomplish contractual merit or other commitments (i.e., those held because of SB 111 restrictions). These increases may be implemented with this budget submission and prior to State Comptroller instructions.

Following are salary policy guidelines for the limited raise authority included herein or to accomplish legislatively authorized salary increases under instructions to be issued by the State Comptroller:

- (a) Faculty Salary Policy - Merit increases or advances in rank are to be on the basis of teaching effectiveness, research, and public service. Recognizing the expectations of the legislative leadership, institutions should, as a minimum, sustain faculty salary levels reached in 1991.
- (b) Administrative and Professional Salary Policy - Merit salary increases may be granted to administrative and professional staff and are to be based on evaluation of performance in areas appropriate to work assignments. Merit increases for administrative and professional staff should approximate increases available for classified personnel but not exceed those available for faculty.
- (c) Classified Personnel Salary Policy - Merit salary increases may be granted to classified personnel and are to be based on evaluation of performance in areas appropriate to work assignments. Merit increases may be given only to individuals who will have been employed by the institution for at least

six months as of August 31, 1991, and should be given in full step increments in accordance with the institutional pay plan.

3. New faculty positions are to be based on conservative estimates of enrollment increases. Total faculty staffing should be reviewed in terms of needed adjustments in work load or student faculty ratios and with sensitivity to funds available for merit increases.
4. New Administrative/Professional positions are to be requested only when justified by increased work loads and from funds available after merit salary increases are granted.
5. New classified positions are to be requested only when justified by increased work loads and from funds available after merit salary increases are granted.
6. Maintenance, Operation, and Equipment items are to be increased only as justified by expanded work loads, inflation, or newly developing programs.
7. Travel funds are to be shown as separate line items.
8. The requirements for Teacher Retirement and Optional Retirement are subject to the regulations and directives included in the General Appropriations Bill. This bill states in part:

Article III, Pages 26 and 27. Teacher Retirement System and Optional Retirement Program

"1. Teacher Retirement System

State contribution at 7.31% of payroll necessary to match members' contributions . . .

"2. Optional Retirement Program

State contribution at 7.31% of payroll necessary to match members' contributions . . .

- "6. USE OF LOCAL FUNDS FOR SUPPLEMENTING THE GENERAL REVENUE APPROPRIATION TO THE OPTIONAL RETIREMENT PROGRAM. Institutions and agencies authorized under state law to provide the Optional Retirement Program to their employees are authorized to use local funds or other sources of funds to supplement the General Revenue Fund appropriation in order to provide an employer contribution of 8.5% of payroll."

To implement Rider 6, a new line should be included under Staff Benefits for the difference in the optional retirement rate of 8.5% and the funded rate of 7.31% only for those individuals currently on the payroll or under commitment by the institution.

9. Staff Group Insurance Premiums

The general revenue contribution for Staff Group Insurance Premiums is included in the appropriation to the Employees Retirement System on Pages I-95, 100 and 101 as follows:

"2. Group Insurance, State Contributions

b. For the purpose of providing the state's general revenue contribution for each eligible active employee and retired employee of institutions of higher education . . .

"7. HIGHER EDUCATION EMPLOYEES GROUP INSURANCE CONTRIBUTIONS. Funds appropriated in Line Item 2.b., Group Insurance, State Contributions, shall be used for the purpose of providing a state's contribution to higher education employees' group insurance premiums. Such contributions shall be allocated in the following manner:

"a. For each full-time active and retired employee enrolled in the 'Employee Only' category, the state's monthly contribution shall not exceed the smaller of (1) the actual cost of basic health and life insurance similar to that provided by the Employees Retirement System under its standard insurance plan, or (2) \$152.09 in fiscal year 1992 and \$178.23 in fiscal year 1993.

"b. For each full-time active and retired employee enrolled in a coverage category which includes a spouse and/or dependent(s), the state's monthly contribution shall not exceed the following amounts for each category: \$198.37 in fiscal year 1992 and \$246.14 in fiscal year 1993 for the 'Employee and Children' category; \$221.10 in fiscal year 1992 and \$279.66 in fiscal year 1993 for the 'Employee and Spouse' category; and \$267.48 in fiscal year 1992 and \$347.58 in fiscal year 1993 for the 'Employee and Family' category

"The general revenue funds provided in Item 2.b. above shall be transferred to institutions of higher education to cover the state contribution to group insurance for employees and retirees paid from general revenue appropriations, so long as such institutions retain their separate insurance programs in accordance with House Bill 2, 72nd Legislature, Regular Session. Thereafter, funds shall be applied directly to the group insurance premiums for employees and retirees who have ceased to be covered by the separate institutional plans and have been covered by the Employees Retirement System group insurance program (V.A.T.S. Insurance Code, Article 3.50-2).

"Funds appropriated for higher education employees' group insurance contributions may not be used for any other purpose."

To budget Section 7, a "Transfer from Employees Retirement System" should be shown as a general revenue item in the "Method of Financing" section of the operating budget summary.

Staff Group Insurance Premiums for employees paid from Educational and General Income are included in each institution's appropriation for "State Basic Aid." Article III, Sec. 7, No. 6-Page III-140 states:

"6. GROUP INSURANCE PREMIUMS. For the biennium ending August 31, 1993, there is hereby appropriated such amounts, from the Educational and General Funds available to institutions of higher education, as may be necessary to pay the proportional share of the State's contributions for Staff Group Health Insurance Premiums. Funds appropriated by this subsection may be transferred by those institutions not retaining separate insurance programs in accordance with House Bill 2, 72nd Legislature, Regular Session, to the Employees Retirement System at appropriate intervals to pay the proportional share of the group insurance premiums."

1992 OPERATING BUDGET CALENDAR

August 1991	U. T. Board of Regents' Approval of Policies (Executive Committee Letter)
September 5, 1991	<u>Ten</u> Draft copies of "Pink Sheet Summaries" (all funds) due to System Administration
September 10, 1991	<u>Seven</u> Draft Copies (bound) of Budgets due to System Administration (including 7 copies of supplemental data)
To be limited to narrative responses requested by appropriate Executive Vice Chancellors and/or special hearings scheduled on an individual need basis	Budget Hearings with System Administration
September 16, 1991	<u>Fifteen</u> copies of corrected Budgets (bound) due to System Administration (with 7 copies of adjusted supplemental data as applicable)
September 23, 1991	Budgets mailed to the U. T. Board of Regents
October 11, 1991	U. T. Board of Regents' Budget Meeting
October 16, 1991	<u>Fifty</u> Copies of Budgets (unbound) due to System Administration for binding

2. U. T. Austin: Authorization to Increase the Compulsory Student Services Fee Effective with the Fall Semester 1991 (Catalog Change) (Exec. Com. Letter 91-25).-- In order to meet escalating costs for student services, the Board authorized an increase in the Compulsory Student Services Fee at The University of Texas at Austin from \$97.68 per semester or summer session to \$107.36 per semester or summer session for a student taking twelve or more semester credit hours effective with the Fall Semester 1991.

The fee is comprised of two components: (a) an increase in the compulsory fee for health services from \$42.24 to \$46.16 per semester or summer session for all students and (b) an increase from \$4.62 per semester credit hour to \$5.10 per semester credit hour for a maximum charge of \$61.20 for a student taking twelve or more credit hours of course work per semester or summer session for other services and agencies funded partially or totally from the Student Services Fee.

It was ordered that the next appropriate catalog published at U. T. Austin be amended to conform to this action.

3. U. T. Austin - Energy Conservation Retrofit Work - Chilling Station No. 2 - Replacement of Cooling Tower (U. T. Austin Project No. CU-1031): Award of Construction Contract to Ceramic Cooling Tower Company, Fort Worth, Texas, and Authorization for U. T. Austin Administration to Execute Contract (Exec. Com. Letter 91-29).--The Board, upon recommendation of the Executive Committee, awarded a construction contract for Energy Conservation Retrofit Work - Chilling Station No. 2 - Replacement of Cooling Tower at The University of Texas at Austin to the lowest responsible bidder, Ceramic Cooling Tower Company, Fort Worth, Texas, for the Base Bid in the amount of \$718,039, and authorized U. T. Austin Administration to execute the contract.

Total project funding in the amount of \$3,023,911 will be \$1,511,955 from grants and \$1,511,956 from Educational and General Funds.

Approval of this project by the U. T. Board of Regents in June 1991 amended the current Capital Improvement Plan and the FY 1991 Capital Budget. The project was also approved by the Texas Higher Education Coordinating Board in June 1991.

4. U. T. El Paso - Burges Hall - Renovation for Institute for Manufacturing and Materials Management (Project No. 201-759): Award of Construction Contract to Croom Construction Company, El Paso, Texas, and Approval to Increase Authorized Total Project Cost (Exec. Com. Letter 91-26).--In October 1990, the U. T. Board of Regents authorized a total project cost of \$2,275,000 to be funded with federal grant funds for the renovation of Burges Hall at The University of Texas at El Paso. Bids received for the project exceeded the estimated construction cost, and the Project Architect found that the mechanical construction cost estimate did not fully reflect the project's complexity of installing new plumbing to convert the existing dormitory into laboratory and office use.

Therefore, the Board, upon recommendation of the Executive Committee:

- a. Awarded a construction contract for Burges Hall - Renovation for Institute for Manufacturing and Materials Management at U. T. El Paso to the lowest responsible bidder, Croom Construction Company, El Paso, Texas, for the Base Bid in the amount of \$2,177,000
- b. Authorized the Office of Facilities Planning and Construction to award up to \$175,000 in Alternate Bids by Croom Construction Company if sufficient savings within the authorized total project cost can be achieved
- c. Approved an increase in the authorized total project cost from \$2,275,000 to \$2,500,000 with an additional \$225,000 in funding from federal grant funds.

The total project cost is composed of the following elements:

Construction	\$2,177,000
Fees and Administrative Expenses	242,857
Miscellaneous Expenses	4,000
Project Contingency	<u>76,143</u>
Total Project Cost	\$2,500,000

This project will amend the 1991 Capital Improvement Plan and the FY 1991 Capital Budget and was approved by the Texas Higher Education Coordinating Board in April 1991.

5. U. T. Pan American: Approval of an Endowments Agreement with The University of Texas - Pan American Foundation, Inc., Edinburg, Texas; Authorization for the Executive Vice Chancellor for Asset Management to Execute Agreement; and Establishment of Endowment Accounts as Required by the Agreement (Exec. Com. Letter 91-28).--To clarify the respective rights and obligations of the U. T. Board of Regents and The University of Texas - Pan American Foundation, Inc., regarding the nature, investment, and administration of gifts previously received by each for the benefit of The University of Texas - Pan American, the Board approved an Endowments Agreement in substantially the form set out on Pages 10 - 16 by and between the U. T. Board of Regents, for and on behalf of U. T. Pan American, including The University of Texas at Brownsville (formerly The University of Texas - Pan American at Brownsville), and The University of Texas - Pan American Foundation, Inc., Edinburg, Texas.

Further, the Executive Vice Chancellor for Asset Management was authorized to execute the Endowments Agreement.

In addition, accounts for the endowments listed on Schedule 2 of the Endowments Agreement will be established by the Office of Asset Management upon approval of the agreement and transfer of funds by U. T. Pan American.

Prior to the merger of Pan American University (PAU) and The University of Texas System, all PAU endowment funds were managed by the institutional administration. The

institution also maintained a close relationship with The Pan American University Foundation, chartered in 1928 to support the educational undertakings of PAU.

Following the merger, the Foundation and U. T. Pan American executed a Memorandum of Understanding memorializing the long-standing relationship and acknowledging the Foundation as The University of Texas - Pan American Foundation, Inc. The Foundation continues to invest and administer funds donated directly to the Foundation and held for the benefit of U. T. Pan American.

ENDOWMENTS AGREEMENT

This Endowments Agreement entered into this _____ day of _____, 1991 by and between the Board of Regents of The University of Texas System on behalf of The University of Texas - Pan American (including The University of Texas Pan American at Brownsville) ("University") and The University of Texas - Pan American Foundation, Inc. ("Foundation").

1. By separate Memorandum of Understanding originally executed June 1, 1991, the University and the Foundation have deemed it appropriate to memorialize the nature of the relationship between the Foundation and the University, to ratify and approve past development activities by the Foundation for the University, and to agree mutually for the future regarding the respective roles, rights, and obligations of the University and the Foundation.

2. During the term of the Memorandum of Understanding, the Foundation agreed to continue to invest and administer the funds presently in its hands for the benefit of the University.

3. The University and the Foundation now deem it appropriate to clarify any ambiguities that may have arisen concerning the respective rights and obligations of the University and the Foundation regarding the nature, investment and administration of gifts previously received by each for benefit of the University.

4. Funds held by the Foundation in the accounts and amounts listed on the attached Schedule 1 shall continue to be held in trust by the Foundation for benefit of the University and the University shall have no responsibility or liability for the administration and investment of these funds, past or present.

5. Funds held by the University in the accounts and amounts listed on Schedule 2 shall continue to be held in trust as endowments by the University and the Foundation shall have no responsibility or liability for the administration and investment of these funds, past or present.

6. Funds held by the University in the accounts and amounts listed on Schedule 3 have been determined to be, and shall be held by the University as, current restricted funds and the Foundation shall have no responsibility or liability for the administration and investment of these funds, past or present.

This Agreement is effective immediately upon approval by the Board of Regents of The University of Texas System and execution by the parties.

The University of Texas -
Pan American

Board of Regents of
The University of Texas System

By: _____
Dr. Miguel Nevarez,
President

By: _____
Michael E. Patrick
Executive Vice Chancellor
for Asset Management

The University of Texas -
Pan American Foundation, Inc.

By: _____
A. R. Guerra,
Chair

CERTIFICATE OF APPROVAL

I hereby certify that pursuant to procedures authorized by the Board of Regents of The University of Texas System, the foregoing Agreement was approved on the _____ day of _____, 1991, and that the person whose signature appears above is authorized to execute such Agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

SCHEDULE 1

THE UNIVERSITY OF TEXAS - PAN AMERICAN FOUNDATION, INC.
 ENDOWMENT FUNDS

<u>ENDOWMENT</u>	<u>BALANCE AS OF 5/31/91</u>
Daniel Alvarez Memorial Scholarship	\$ 5,727.00
Anderson Memorial Scholarship	12,110.00
Anheuser-Busch Scholarship	12,500.00
Claudio Castaneda Endowment	5,000.00
Coca Cola Endowed Scholarship	5,000.00
Adrian & Norma Coleman Scholarship	5,000.00
Davidson Foundation	100,000.00
Kika de la Garza Scholarship	10,000.00
J. R. Dougherty, Jr. Scholarship	1,000.00
Felicitas Yturria Downie Scholarship	10,000.00
Edinburg Musical Culture Club Endowment	5,326.13
J. Lell Elliott Chemistry Endowment	40,000.00
Thomas Esparza Scholarship	1,600.00
Ray & Mirtha Fish President's Endowed	52,500.00
George Foundation Endowed Scholarship	100,000.00
Victor Guerra Memorial Scholarship	134,435.99
J. M. Haggard, Sr. Scholarship	200,000.00
The Hearst Foundation	25,000.00
William R. Hearst Endowment	25,000.00
Houston Endowment Inc.	500,000.00
Lack's Special Account Scholarship	25,000.00
Carl McGovern Communications Disorders	5,327.00
Meadows Endowment for Honors Scholarship	10,000.00

Noe Medina Memorial Ed. Scholarship	1,050.33
Mario Medrano Political Science Scholarship	32,745.32
Travis & Edna Mercer Endowment	2,619.00
John L. Moore Memorial Scholarship	4,207.50
Homer J. Morris Scholarship	7,000.00
Homer J. & Ruth Dean Morris Endowment	4,300.00
Neuhaus Scholarship	15,750.00
R. H. Oaks Memorial Endowment Fund	16,000.00
Al Ogletree Scholarship	2,200.00
PAU Folkloric Dance Company	7,130.00
Polaroid Foundation Endowed Scholarship	10,000.00
Pooled Endowment	3,975.36
R. J. Reynolds Endowment	11,000.00
Rockwell Fund Scholarship	5,000.00
Charles & Madonna Romine Scholarship	10,000.00
School of Business Endowments	10,000.00
Homer Scott Scholarship Fund	3,748.54
Southwestern Bell Telephone Scholarship	10,000.00
Theatre TV Scholarship	1,537.11
Sally Thompson Communication Scholarship	5,500.00
Whataburger Inc. Endowment	5,168.77
Ruby Wilson Estate	58,885.40
Herminio Yturria Scholarship	25,000.00

SCHEDULE 2

U. T. PAN AMERICAN ENDOWMENT FUNDS

<u>ENDOWMENT</u>	<u>BALANCE AS OF 5/31/91</u>
Pauline A. Armstrong Endowment	\$ 1,600.00
Cochran Endowed Scholarship	30,427.50
The Adolph Coors Co. Endowed Scholarship in Business	12,000.00
Alfred E. "Pat" Crofts Endowed Scholarship	9,382.00
Joe & Jess Crump Scholarship	76,700.00
Rondel V. Davidson Endowed Lecture Series	11,570.00
James R. Dougherty Endowed Scholarship	16,000.00
Minnie Lou Duncan Scholarships	100,000.00
E & G Excellence Quasi Endowment	2,745,818.00
Yetta Edelstein Scholarship	4,350.00
Faculty Development Program	20,000.00
James-Ware-Foltz Biology Fund	3,100.00
Ford/EEOC Endowed Scholarship Program	100,000.00
Stockton Fountain Scholarship Fund	5,000.00
Manuel L. Gelfer and Freida M. Gelfer Endowment for Scholarships	26,715.00
General Endowment	5,645.00
GM/EEOC Endowed Scholarship	250,000.00
A. J. Ginsberg Endowed Marketing Scholarship	21,500.00
Lou Hassell Endowed Award	3,650.63
H.E.B. Endowed Scholarship	10,000.00
Jesse H. Jones & Mary Gibbs Jones Endowed Scholarship	799,999.00
Kraft Endowed Scholarship	35,000.00

Ann Lamantia Endowed Award	1,350.00
Raul L. Longoria Endowment	1,987.12
James Cullen Looney Scholarship	48,726.00
W. R. Montgomery Endowed Scholarship Fund	5,000.00
Florence Nightingale Scholarship Fund	15,000.00
Jim O'Dell Endowment	5,681.55
PAU Endowment	1,500,003.00
Research & Development Endowment	172,476.96
The Mr. and Mrs. John W. Richards Endowed Scholarship	15,400.00
School of Business Administration Endowment	100,000.00
Southwestern Bell Foundation Endowment	45,000.00
Southwestern Bell Endowed Lecture Series	55,000.00
Texaco Endowed Scholarship	10,000.00
Trull Foundation Scholarship Fund Endowment	17,000.00
Isabel G. Useda Endowed Scholarship for Nursing	5,000.00
Weyerhaeuser Endowed Scholarship	10,000.00
Lauryn Gale White	10,000.00
Dr. Charles Yundt Endowed Business Scholarship Fund	4,945.00
Zonta Club of West Hidalgo County, Inc. Nursing Endowed Scholarship	5,000.00

U. T. PAN AMERICAN (BROWNSVILLE) ENDOWMENT FUNDS

<u>ENDOWMENT</u>	<u>BALANCE AS OF 5/31/91</u>
Morris Edelstein Endowment Scholarship	\$ 11,850.00
Tenneco Endowment for Scholarships	10,109.50

SCHEDULE 3

U. T. PAN AMERICAN CURRENT RESTRICTED FUNDS

<u>ACCOUNT</u>	<u>BALANCE AS OF 5/31/91</u>
Bost Theatre	\$ 1,000.00

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 17 - 47).--Committee Chairman Loeffler reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 60 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 60 in the form distributed by the Executive Secretary. It is attached following Page 182 in the official copies of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein had been or shall be executed by the appropriate officials of the respective institution involved.

It was ordered that any item included in the Docket that normally is published in the institutional catalog be reflected in the next appropriate catalog published by the respective institution.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 4, Subsection 4.1 (Local Institutional Funds).--Approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter III, Section 4, Subsection 4.1, regarding the selection of official depository banks by execution of a standard depository agreement for the investment of local institutional funds, to read as set forth below:

Sec. 4. Local Institutional Funds.

4.1 All local income not required to be deposited in the State Treasury must be deposited in official depository banks for safekeeping or invested as specified by law and by The University of Texas System Institutional Funds Investment Policy.

4.11 Funds held in demand deposits, time deposits, or certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. Depository agreements may be negotiated and executed by the Executive Vice Chancellor for Asset Management when such agreements are in substantially the same form as a standard depository agreement approved by the Board and are with banks meeting the then current policies of the Board.

See Page 34 related to the revised standard bank depository agreement.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter VI, Section 5 (Workers' Compensation Insurance).--In order to conform to the current workers' compensation statutes, the Board amended the Regents' Rules and Regulations, Part Two, Chapter VI, Section 5 (Workers' Compensation Insurance) to read as follows:

Sec. 5. Workers' Compensation Insurance.

- 5.1 Pursuant to Article 8309d of Vernon's Texas Civil Statutes, a self-insured System-wide Workers' Compensation Insurance (W.C.I.) Program will provide certain benefits for injuries sustained in the course and scope of employment.
- 5.2 The System Personnel Office, with the assistance of other appropriate System and component institution offices, shall investigate injuries.
- 5.3 The System Personnel Office shall be responsible for reporting all covered injuries to the Texas Workers' Compensation Commission (TWCC).
- 5.4 The System Personnel Office shall coordinate occupational safety and health activities.
- 5.5 The Office of General Counsel shall be responsible for a determination on appeal of TWCC decisions.
- 5.6 A percentage of annual payroll, as approved by the U. T. Board of Regents, shall be set aside to fund the Workers' Compensation Insurance Fund (W.C.I. Fund).
- 5.61 Each institutional chief business officer shall be responsible for the transmission of amounts to be added to the W.C.I. Fund for all salaries paid, as instructed by the System Personnel Office, for receipt into the W.C.I. Fund no later than 15 days after the end of each month.
- 5.62 The W.C.I. Fund must be deposited or invested in the same manner as other local institutional funds as specified in Part Two, Chapter III, Section 4 of these Rules and Regulations.
- 5.7 The System Personnel Office shall be responsible for processing all W.C.I. claims for medical care and compensation.
- 5.8 The System Personnel Office shall prepare an annual report for the U. T. Board of Regents on the status of the W.C.I. Fund.

4. Permanent University Fund - University Lands: Approval of New Rate and Damage Schedule Covering Compensation for Surface Damage and Rates for Easements, Leases, and Grants on Permanent University Fund Lands Effective Immediately.--Upon recommendation of the Business Affairs and Audit Committee, the Damage Schedule, Damage Program and Rate Schedule for Easements, Leases, and Grants on Permanent University Fund Lands, which were approved by the Board in December 1985 and amended in August 1986, were rescinded, and the Board adopted a new Rate and Damage Schedule covering these same elements as set forth on Pages 20 - 30 effective immediately.

The new schedule results from a periodic review to insure that the University's rates are in line with those currently being paid to others by companies that engage in the acquisition of right-of-way and geophysical activities. Other changes in the schedule reflect clarifications of wording, definitions, etc. to facilitate the administration of the program.

THE UNIVERSITY OF TEXAS SYSTEM
RATE AND DAMAGE SCHEDULE

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EFFECTIVE DATE: October 11, 1991

UNIVERSITY LANDS-SURFACE INTERESTS Midland Office

A. WELL LOCATIONS (as permitted by Railroad Commission)

RATES

- | | |
|--|-------------|
| 1. 15,000 feet or less (drilling depth/location) | \$ 2,000.00 |
| 2. In excess of 15,000 feet (drilling depth/location) | \$ 3,000.00 |
| 3. Re-entry (No charge until expiration or release of lease, then rates shown under 1 and 2 are applicable.) | NONE |

THE ABOVE RATES INCLUDE SPACE FOR TANK BATTERIES, FUEL GAS AND FLOW LINES, TEMPORARY WATER LINES, ELECTRIC LINES, SALT WATER DISPOSAL LINES, COMPRESSORS, AND ROADS ON YOUR OWN LEASE.

- | | |
|--|--|
| 4. Skidding of rig | \$ 8.50/ROD |
| 5. New road construction (except on own lease) or use of existing ranch road | \$ 6.00/ROD |
| 6. Pre-existing oil field road | PROPER
MAIN-
TENANCE
REQUIRED |

7. Plugging of wells

To ensure protection of the ground water, oil and gas companies must notify the University Lands-Surface Interests (ULSI) oil field representative four (4) working days prior to plugging of a well.

8. Water Wells

Upon request by ULSI, water wells used to provide water for drilling purposes will be plugged according to specifications as listed in Texas Water Commission Permanent Rules Chapter 287.49. If a water well is to be left for future use it will be securely capped.

9. Requirements:

- a. Notify the ULSI field representative and the grazing lessee to coordinate location of roads.
- b. All oil and gas leases purchased after 9/17/80 must provide the ULSI office with a copy of the plat(s) of the well location(s). Upon receipt of these two (2) documents, an approval letter will be mailed to the oil and gas lessee.
- c. Remit damage payments to the ULSI office prior to the spud date. (Identify the well location by county, block, and section.)

B. GEOPHYSICAL OPERATIONS

Payment schedule as follows:

1. Seismic weight-dropping, vibrators, dinoseis operations per mile	\$1000/MILE
2. Seismic 3-D	NEGOTIABLE
3. Shooting crews per mile	\$ 900.00/MILE
4. ON REVEGETATED LAND ONLY (Refer to Page 8, OTHER INFORMATION, #2.)	NEGOTIABLE
5. Gravity meter and magnetometer survey operations per crew per day	\$ 200.00
6. Single shot (reflection or refraction shooting) per shot hole	\$ 150.00
7. Velocity survey (when off pad)	NEGOTIABLE
8. Experimental work	NEGOTIABLE
9. <u>Requirements</u> (after purchase of a three month permit):	
a. The ULSI office is to be notified the day the surveyor goes on the land.	
b. The ULSI office and the appropriate ULSI oil field representative are to be notified BEFORE work begins and AFTER work is completed.	
c. The grazing lessee and the oil field representative are to be notified and supplied with a copy of the plat BEFORE work begins.	

C. NEW EASEMENTS

The following schedule lists the rates per rod for a ten year period based on the outside diameter of the pipe line. Three separate checks are **PAYABLE IN ADVANCE**: one check for consideration payable to **THE UNIVERSITY OF TEXAS SYSTEM**, one check for damages payable to **THE UNIVERSITY OF TEXAS SYSTEM**, and one check for the filing fee payable to the **BOARD OF REGENTS, UNIVERSITY OF TEXAS SYSTEM**.

NEW EASEMENTS

1. <u>PIPE LINES</u>	CONSIDERATION PER ROD	DAMAGES PER ROD	FILING FEE
a. MINIMUM	\$400.00	\$4.00/ROD	\$10.00
b. LINES UNDER 12"	\$5.00/ROD	\$4.00/ROD	\$10.00
c. LINES 12" AND UNDER 24"	\$11.00/ROD	\$6.00/ROD	\$10.00
d. LINES 24" AND OVER	NEGOTIABLE	NEGOTIABLE	\$10.00
e. REMOVAL OR REPLACEMENT LINES	NONE	\$3.50/ROD	NONE
f. TEMPORARY oil, gas and water lines OFF LEASE	NONE	\$2.50/ROD	NONE
g. PARALLEL/LOOP LINES Refer to your easement form under the caption "additional lines and cathodic protection."	PRORATED	NEGOTIABLE	NONE
2. <u>POWER/TELEPHONE LINES</u>			
a. MINIMUM	\$400.00	\$.85/ROD	\$10.00
b. SINGLE POLE DISTRIBUTION (33,000 volts maximum)	\$2.00/ROD	\$.85/ROD	\$10.00
c. SINGLE POLE TRANSMISSION	\$2.75/ROD	\$.95/ROD	\$10.00
d. SINGLE POLE TELEPHONE	\$2.00/ROD	\$.85/ROD	\$10.00
e. BURIED CABLE	NEGOTIABLE	NEGOTIABLE	\$10.00
f. H-FRAME POLE CONSTRUCTION	\$6.00/ROD	\$3.00/ROD	\$10.00
g. STEEL TOWER CONSTRUCTION	\$11.00/ROD	\$4.00/ROD	\$10.00
h. REMOVAL BURIED CABLE	NONE	\$2.00/ROD	NONE
i. REMOVAL OR REPLACEMENT OF LINES	NONE	\$1.50/ROD	NONE

D. RENEWAL OF EASEMENTS

The following schedule lists the rates per rod for a ten year period based on the outside diameter of the pipe line. Two separate checks are **PAYABLE IN ADVANCE** unless otherwise specified: one check for consideration payable to **THE UNIVERSITY OF TEXAS SYSTEM** and one check for the filing fee payable to the **BOARD OF REGENTS, UNIVERSITY OF TEXAS SYSTEM**.

RENEWAL OF EASEMENTS

	<u>CONSIDERATION PER ROD</u>	<u>DAMAGES PER ROD</u>	<u>FILING FEE</u>
1. <u>PIPE LINES</u>			
a. MINIMUM	\$ 400.00	NONE	\$ 10.00
b. LINES UNDER 12"	\$ 4.50/ROD	NONE	\$ 10.00
c. LINES 12" AND UNDER 24"	\$ 6.50/ROD	NONE	\$ 10.00
d. LINES 24" AND OVER	NEGOTIABLE	NONE	\$ 10.00
e. REMOVAL OR REPLACEMENT OF LINES	NONE	\$ 3.50/ROD	NONE
f. TEMPORARY oil, gas and water lines OFF LEASE	NONE	\$ 2.50/ROD	NONE
g. PARALLEL/LOOP LINES Refer to your easement form under the caption "additional lines and cathodic protection."	PRORATED	NEGOTIABLE	NONE
2. <u>POWER/TELEPHONE LINES</u>			
a. MINIMUM	\$ 400.00	NONE	\$ 10.00
b. SINGLE POLE DISTRIBUTION (33,000 volts maximum)	\$ 1.40/ROD	NONE	\$ 10.00
c. SINGLE POLE TRANSMISSION	\$ 2.25/ROD	NONE	\$ 10.00
d. SINGLE POLE TELEPHONE	\$ 1.40/ROD	NONE	\$ 10.00
e. BURIED CABLE	NEGOTIABLE	NONE	\$ 10.00
f. H-FRAME POLE construction	\$ 5.00/ROD	NONE	\$ 10.00
g. STEEL TOWER construction	\$ 8.00/ROD	NONE	\$ 10.00
h. REMOVAL of buried cable	NONE	\$ 2.00/ROD	NONE
i. REMOVAL OR REPLACEMENT OF LINES	NONE	\$ 1.50/ROD	NONE
E. <u>CATHODIC PROTECTION UNIT</u> (no easement necessary)			
1. ON OR ADJACENT to a pipe line	NONE	\$ 250.00	NONE
2. ANY OTHER TYPE of cathodic protection	NONE	NEGOTIABLE	NONE

F. SURFACE LEASES

The following schedule lists the standard rates for surface leases (other than grazing) for a ten year period, **PAYABLE IN ADVANCE** to THE UNIVERSITY OF TEXAS SYSTEM.

1. <u>STANDARD RATES</u>	CONSIDERATION FEE	DAMAGE FEE	FILING FEE
a. PLANT SITE AND BOOSTER STATION (payable in advance for a ten year period)	\$60.00 PER ACRE PER YEAR (\$4,000.00-ten year minimum)	NONE	\$10.00
b. TOWER SITE (payable in advance for a ten year period)	\$5,000.00	NONE	\$10.00
c. BUSINESS, RESIDENTIAL, AND OTHER MISC. LEASES	NEGOTIABLE (\$400.00 per year minimum)	NONE	\$10.00
2. <u>SURFACE LEASE RENEWALS</u>	NEGOTIABLE	NONE	\$10.00
G. <u>ASSIGNMENTS, TRANSFERS, CORRECTION OF EASEMENTS, LEASES, ETC.</u>	\$400.00	NONE	\$10.00
<p>1. The only exception will be if other consideration, in the amount of \$400.00 or more, such as bonus for a grazing lease, is paid to The University of Texas System.</p> <p>2. Filing fees are required on all leases and all easements payable to Board of Regents, University of Texas System.</p>			

H. MATERIAL SOURCE PERMITS - CALICHE

BEFORE caliche, barrow and other materials can be removed, PERMISSION MUST BE OBTAINED from the Manager of University Lands-Surface Interests or his representative and at his request, pits must be levelled in an acceptable manner. THREE SEPARATE CHECKS are required unless otherwise specified. All checks are payable to THE UNIVERSITY OF TEXAS SYSTEM.

STANDARD RATE FOR ONE PROJECT (separate checks required.)	ROYALTY FEE	RECLAMATION FEE	PIT ENTRY FEE
1. MINIMUM FEE	\$ 400.00	\$.60 PER YARD	\$ 500.00 PER LOCATION
2. CALICHE FOR USE ON UNIVERSITY LANDS ONLY	NONE	NONE	\$ 500.00 PER LOCATION
3. OPENING OF NEW PITS	NONE	NONE	\$ 800.00/NEW PIT (INCLUDES ONE LOCATION)
4. PER CUBIC YARD, <u>under</u> 20,000 cubic yards	\$.90 PER YARD	\$.60 PER YARD	\$ 500.00 PER LOCATION
5. PER CUBIC YARD, <u>over</u> 20,000 cubic yards	NEGOTIABLE	NEGOTIABLE	\$ 500.00 PER LOCATION
6. SALES TO HIGHWAY CONSTRUCTION (caliche and barrow)	NEGOTIABLE	NEGOTIABLE	\$ 500.00 PER LOCATION

DAMAGE PROGRAM AND GUIDELINES

In 1969, The University of Texas System started a conservation program. In this program, The University of Texas System acts as agent for the grazing lessee. All monies received by The University of Texas System for damage to University Lands are to be used for the purposes of conservation, reclamation, and improvements of these lands.

THE UNIVERSITY OF TEXAS SYSTEM HAS THE FOLLOWING RESPONSIBILITIES:

1. Collect damage payments for damages to each grazing lease.
2. Ensure proper payment by matching damage checks with reports submitted by ULSI field representatives.
3. Maintain separate records for each grazing lessee of damage payments received for damages on each grazing lease.
4. Keep all damage monies for each grazing lessee until approved ranch improvements and/or range conservation programs are made.
5. Reimburse each grazing lessee for such approved ranch improvements and/or range conservation programs for which receipts and canceled checks have been furnished and damage monies are available for that lease and grazing lessee. The grazing lessee may use one-half of the damage income for permanent improvements and one-half for major repairs. PRIOR APPROVAL IS REQUIRED.
6. Notify the grazing lessee each quarter of the balance in his/her damage account.
7. Maintain records of ranch improvement and/or range conservation program expenses in excess of damage monies received for a particular lease. This record allows for future payments to be made when damage monies are received.

OTHER INFORMATION:

1. The University of Texas System reserves the right to take for improvements of University Lands, all or part of any damage monies received on behalf of a grazing lessee. Beginning February 1, 1986, The University of Texas System exercised this right and now takes 20% of all damage monies. These monies are placed in an endowment fund that will be used for the purpose of conducting conservation and land utilization programs to increase the productivity and income from Permanent University Fund Lands.
2. On REVEGETATED LAND ONLY - Geophysical operators working on University Lands will pay a negotiated per mile damage rate to The University of Texas System not to exceed \$1,150 per mile.
3. One-half of all pit entry damage monies (after 20% as stated in #1 above) will be placed in The University of Texas System's reclamation account.

THE GRAZING LESSEE HAS THE FOLLOWING RESPONSIBILITIES:

1. Use all damage monies to improve the land EXCEPT damage monies received as compensation for personal property.
2. Notify the ULSI office of any errors in the accounting of damage monies.
3. Use approved Soil Conservation Service ranch improvement guidelines and/or range conservation programs or such improvements or programs that are approved by the Manager of University Lands-Surface Interests or his representative for which reimbursement with damage monies is expected.

Any earnings from the temporary investments of funds received for damage payments may be expended in connection with the ULSI conservation and land utilization programs as may be recommended by the Manager of University Lands-Surface Interests.

DAMAGE SCHEDULE GUIDELINES

1. All monies received by The University of Texas System for damages to Permanent University Fund Lands are to be used for the purposes of conservation, reclamation, and improvement of these lands, however:
 - a. Payment of the current damage rate does not in any way limit the liability of a company or operator in an action at law for any damages caused by acts of negligence.
 - b. Compensation for acts of negligence or damage to personal property shall be paid directly to the grazing lessee.
 - c. Compensation will be required for loss of crop production and/or destruction of plants.
2. In the event of a disagreement between the grazing lessee/surface lessee and the company or operator, the Manager of University Lands-Surface Interests or his representative will arbitrate and set the damage payments.
3. All checks submitted to The University Of Texas System for damages are to be made payable to The University of Texas System. The following information should be on the face of the check and/or the transmittal letter: COUNTY, BLOCK and SECTION where the damage occurred as well as the name of the lessee.
4. All operators **MUST NOTIFY BOTH** the manager of University Lands-Surface Interests or his representative **AND** the grazing/surface lessee before any operation begins.
5. No fences shall be cut or cattle guards installed without permission of the Manager of University Lands-Surface Interests or his representative. Each company will be responsible for maintenance of those cattle guards used in their operations.
6. All damage payments and/or correspondence concerning this schedule or these policies shall be mailed to:

Stephen Hartmann, Manager
University Lands-Surface Interests
P.O. Box 553
Midland, Texas 79702-0553

EASEMENT APPLICATION GUIDELINES

Easements are to be on The University of Texas System's current standard forms. Easements are for a ten (10) year period. A damage payment is required for all pipe lines laid on University Lands.

1. An officer or attorney-in-fact must sign for a second party with that person's title given in the same space provided on the easement. Easements made in favor of an individual must be signed by the individual.
2. Easement consideration is figured in accordance with the current standard rate schedule for the University of Texas System.
3. Exhibits must be attached to all FIVE original colored copies of NEW or RENEWED easements. A centerline (LEGAL) description and PLAT LINES are to be attached to all colored copies marked EXHIBIT "A".
4. One (1) copy of the Tenant's notification must be submitted for filing at the ULSI office on all new easements. (No tenant's notification is required on renewals.)
5. Easement applications are to be mailed to University Lands-Surface Interests, P.O. Box 553, Midland, Texas 79702-0553 OR hand-carried to University Lands-Surface Interests, 808 W. Wall Street, Midland, Texas. All forms and schedules are available at this office. For additional information phone 915/684-5886.

Easements must be approved by The Board of Regents of The University of Texas System. The Board meets every other month and all applications must be received by the Manager of University Lands-Surface Interests **TWO MONTHS PRIOR TO EACH BOARD MEETING.**

6. On new easements, in addition to paying the easement consideration, a damage payment is also required. Both payments are to be figured in accordance with the current University of Texas System Rate and Damage schedule.
7. Damage payments are to be made payable to THE UNIVERSITY OF TEXAS SYSTEM and the grazing lessee to whom the payment is credited is to be shown on the check or letter of transmittal. If more than one grazing lessee is to receive credit, each lessee's share is to be prorated by the applicant.
8. Applicant is hereby granted the right to construct and maintain along such right-of-way the necessary cathodic protection stations or units in connection with such pipe line upon written approval of University Lands-Surface Interests representative and upon the payment of damage monies pursuant to The University of Texas System Rate and Damage schedule.
9. At the request of the lessor, pipe line rights-of-way must be leveled, terraced to intercept and divert runoff, and seeded with approved grasses. The USDA Soil Conservation Service standards and specifications will be used as the basis for leveling, terracing, and seeding with appropriate grasses.
10. Prior to surveying of rights-of-way, the grazing lessee or lessees and the ULSI field representative of that county must be notified.
11. Fences must be braced before cutting for crossing. Openings are to remain closed or properly guarded at all times. Braces must conform to USDA Soil Conservation Service standards and specifications for fence construction. Copies of these specifications can be obtained from University Lands-Surface Interests office.
12. Easements are not required for pipe or power lines owned by the company holding the oil and gas lease on the right-of-way.
13. Damages to personal property are to be paid directly to the grazing lessee.

UNIVERSITY LANDS - SURFACE REPRESENTATIVES

BEFORE WORKS BEGINS - Notify the Field Representative

All field representatives have recorders on their home telephones for additional contact.

OIL FIELD REPRESENTATIVES:

Z.L. (Dock) Sharp

Mobile telephone: 915/523-5466 unit 3306 (Andrews)

Home telephone: 915/684-6494 (Midland)

Counties: Andrews, Culberson, Dawson, El Paso, Gaines, Hudspeth and Martin

David Faries

Mobile telephone: 915/884-3733 after beep dial 29171909 (Big Lake)

Home telephone: 915/884-3606 (Big Lake)

Counties: Crockett, Irion, Reagan, Schleicher, Terrell and Upton

Doug Damron

Mobile telephone: 915/558-1822 unit 3305 (Midland, request King Mountain tower)

Home telephone: 915/558-2453 (Crane)

Counties: Crane, Ector, Loving, Pecos, Ward and Winkler

O.B. Orr

915/684-5886 - Midland office (for additional information)

RANGE/WILDLIFE REPRESENTATIVES:

Gene Drennan

Mobile telephone: 915/563-1822 unit 3385 (Midland)

Office telephone: 915/395-2429 (Ft. Stockton)

Home telephone: 915/336-5627 (Ft. Stockton)

Sid Sullenger

Mobile telephone: 915/884-2010 unit 3388 (Big Lake)

Home telephone: 915/884-3112 (Big Lake)

Don Cox

Mobile telephone: 915/523-3021 after beep dial 03222612 (Andrews)

Home telephone: 915/524-6200 (Andrews)

Ken Moore

Mobile telephone: 915/884-3733 after beep dial 29201909 (Big Lake)

Home telephone: 915/884-3606 (Big Lake)

5. U. T. System: Approval of Non-Personnel Aspects of the Operating Budgets for Fiscal Year Ending August 31, 1992, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein.--Committee Chairman Loeffler called on Chancellor Mark who, with the aid of charts and graphs, presented a comprehensive overview of the proposed Operating Budgets for the fiscal year ending August 31, 1992, for The University of Texas System. A copy of Chancellor Mark's report is on file in the Office of the Board of Regents.

Following Dr. Mark's presentation, a detailed discussion ensued. Upon recommendation of the Academic Affairs, Health Affairs, and Business Affairs and Audit Committees, the Board approved the non-personnel aspects of the Operating Budgets for the fiscal year ending August 31, 1992, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans for the U. T. System as listed below and authorized the Chancellor to make editorial corrections in these budgets with subsequent adjustments to be reported to the U. T. Board of Regents via the institutional dockets:

The University of Texas System Administration
(including the Available University Fund)
The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas of the
Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
The University of Texas Southwestern
Medical Center at Dallas
The University of Texas Medical Branch
at Galveston
The University of Texas Health Science
Center at Houston
The University of Texas Health Science
Center at San Antonio
The University of Texas M.D. Anderson
Cancer Center
The University of Texas Health Center
at Tyler

These budgets are a part of the Minutes of this meeting and the official copy is in bound Volume XLVI entitled Annual Budget for 1991-1992.

See Page 181 for approval of the personnel aspects of the Operating Budgets for the fiscal year ending August 31, 1992.

6. U. T. System: Approval of the Capital Budget for the Fiscal Year Ending August 31, 1992.--At the request of Committee Chairman Loeffler, Chancellor Mark, with the aid of charts and graphs, presented an overview of the proposed Capital Budget for The University of Texas System for the fiscal year ending August 31, 1992. A copy of Dr. Mark's report is on file in the Office of the Board of Regents.

Following Dr. Mark's presentation, the Business Affairs and Audit Committee recommended and the Board approved The University of Texas System Capital Budget, Part A (Major Construction Projects) and Part B (Reserve Allocations for Repairs and Equipment Projects) for the fiscal year ending August 31, 1992. The Capital Budget was presented in a separate document labeled "The University of Texas System FY 1992 Capital Budget" which is on file in the Office of the Board of Regents.

The U. T. System 1992 Capital Budget, Part A, projects cash flow requirements from all fund sources for those capital projects which, in keeping with the Capital Improvement Plan (CIP) approved by the U. T. Board of Regents in June 1991, involve any expenditures during the fiscal year ending August 31, 1992.

As required by provisions of the Regents' Rules and Regulations, authorization to appoint project architects and engineers, approval of plans, authorization to advertise for bids, award of bids, appropriation and authorization to expend funds will continue to be accomplished via a standard agenda item, at times as appropriate. The Capital Budget includes projects authorized by Board action prior to adoption of the 1991 Capital Improvement Plan as well as projects included in the 1991 CIP which will move into the first year of expenditures.

In accordance with the campus planning rules of the Texas Higher Education Coordinating Board, the Chairman of the U. T. Board of Regents must certify that the need for new construction that will require formula funding is at least equal to the need to acquire additional or more modern instructional and research equipment. Since the capital budgeting process used by the U. T. System to develop the Capital Improvement Plan and the Capital Budget ensures that such a determination or prioritization is considered and endorsed by the U. T. Board of Regents on behalf of each new project, the Executive Secretary to the U. T. Board of Regents was authorized, on behalf of the Chairman, to issue the certification as required by the Texas Higher Education Coordinating Board for all new construction contained in the 1992 Capital Budget.

Part B of the 1992 Capital Budget allocates Permanent University Fund Bond Proceeds from reserves provided in the 1991 Capital Improvement Plan for Institutional Equipment and Library Purchases and Repair and Rehabilitation Projects. The CIP provides for an allocation to U. T. System component institutions of \$11.5 million for equipment and library and \$11.5 million for repair and renovation projects.

Furthermore, the U. T. System component institutions were authorized to purchase approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures and within approved PUF Bond Proceeds dollar limits or a combination of allocated bond proceeds and other funds, when appropriate. Substitute equipment purchases are to receive prior approval by the Chancellor and appropriate Executive Vice Chancellor and, when required, the U. T. Board of Regents. Transfer to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with U. T. Board of Regents established procedures for construction projects.

7. U. T. System: Authorization to Transfer Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 1991.--The Board, upon recommendation of the Business Affairs and Audit Committee, adopted the following resolution to provide for the most effective utilization of the General Revenue Appropriations for The University of Texas System during the biennium beginning September 1, 1991:

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Bill of the 72nd Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Cost Centers) from the General Revenue Fund for each of the following components as authorized by the Chief Financial Officers of The University of Texas System institution concerned:

The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Brownsville
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas - Pan American
The University of Texas of the
Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler
The University of Texas Southwestern
Medical Center at Dallas
The University of Texas Medical Branch
at Galveston
The University of Texas Health Science
Center at Houston
The University of Texas Health Science
Center at San Antonio
The University of Texas M.D. Anderson
Cancer Center
The University of Texas Health Center
at Tyler

8. U. T. System: Adoption of Rules and Regulations for the Administration of Line Item Scholarships for the 1992-93 Biennium Effective September 1, 1991.--In compliance with Section 13, Article III of the General Appropriations Act passed by the 72nd Legislature, First Called Session, the following rules and regulations for the administration of line item scholarships were adopted for implementation at all components of The University of Texas System for the 1992-93 biennium effective September 1, 1991:

Rules and Regulations for Administration
of Line Item Scholarships

a. Scholarships

1. Scholarships may be awarded only to students who have been accepted for enrollment and who actually enroll on at least a half-time basis in the term or terms for which the scholarship is awarded.

2. Scholarships are to be awarded based on the financial need of the applicant as determined by the component institution and based on accepted need analysis procedures generally in use in other "need based" financial assistance programs.
3. Each student shall first use any other grant funds for support of educational expenses for which the student may reasonably be eligible before receiving state scholarship funds.
4. The amount of the scholarship award, when combined with all other grant or gift funds awarded to the student, shall not exceed 70% of the reasonable expenses to be incurred by the student in the semester or term for which the scholarship is awarded.
5. No student shall receive an amount in excess of demonstrated need.
6. No more than 10% of total scholarship funds awarded through the program in a fiscal year shall be awarded to nonresident students.
7. No funds may be used to provide athletic scholarships.

b. College Work-Study Program

1. Any or all of the scholarship funds appropriated may be used for the institutional matching share of earnings in the College Work-Study Program.
2. Funds used in this manner will not be subject to the restrictions in item (a) of these rules governing the scholarships.

9. U. T. System: Approval of Revised Standard Bank Depository Agreement.--In accordance with the Regents' Rules and Regulations, Part Two, Chapter III, Section 4, Subsection 4.1, relating to the deposit of local institutional funds in banks, the Board approved the revised standard bank depository agreement for The University of Texas System as set out on Pages 35 - 46.

The revised bank depository agreement provides for additional flexibility to engage new bank services, reduces compensating balances in exchange for fees, and consolidates collateral with a single custodian.

See Page 17 related to amendment of the Regents' Rules and Regulations.

THE STATE OF TEXAS

BANK DEPOSITORY AGREEMENT

COUNTY OF TRAVIS

This Agreement is made and entered into on the date last herein written by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, herein called "BOARD", and

_____ a national banking association, organized under the laws of the United States of America, or
_____ a state banking association, organized under the laws of a state within the United States of America and which is a member of the Federal Reserve System and the Federal Deposit Insurance Corporation

and is authorized by law to conduct banking business in the State of Texas and now carrying on such business in said State, hereinafter called "BANK", and is as follows:

I. AUTHORIZATION

BOARD hereby designates BANK as a depository for the period beginning _____ and continuing until this Agreement has been canceled in accordance with its provisions, for certain accounts in the name of THE UNIVERSITY OF TEXAS SYSTEM (including accounts in the name of any component institution which is now or may hereafter become a part of The University of Texas System). Such accounts shall be opened by the BOARD or its component by designating the accounts and making deposits therein and by the BANK accepting said deposits. BANK and BOARD may from time to time enter into such Service Agreements as are deemed necessary to further define the rights and duties of BANK and BOARD with regard to specific deposit banking services which may include BANK compensation levels, service termination dates, authorization designations and codes, or such other covenants as required for the proper implementation of the proposed services. Such Service Agreements shall be subordinate to this Agreement and should any conflict arise, the terms of this Agreement shall in all cases prevail. Service Agreements may be entered into on behalf of BOARD by the chief administrative officer and chief business officer of a component institution of the U.T. System or the Vice Chancellor for

Business Affairs for The University of Texas System or any other authorized representative of the Board and must be cancelable by BOARD on no more than 90 days written notice. Except for any indemnity provisions, such Service Agreements are hereby null and void upon the termination of this Agreement as provided in Section XIII.

BOARD may open or close accounts, as needed, under this Agreement and any Service Agreements. As evidence to BANK that such new account has been properly authorized by BOARD, each such account shall be identified and the authorized signers designated by the Vice Chancellor for Business Affairs of the U.T. System or, in the case of component institutions of the U.T. System, the chief administrative officer and the chief business officer as authorized under the Rules and Regulations of the U.T. Board of Regents such rules having been adopted by an official resolution of the BOARD. Under such Rules said representatives may remove, substitute or add signers to the account as may be deemed necessary.

II. DEPOSIT OF FUNDS

BOARD shall deposit such of its funds as it may choose and BANK shall accept such deposits in the form of "Demand Deposits", "Time Deposits-Open Account" and "Time Certificates of Deposit" as designated by BOARD, and shall hold said deposits subject to payment in accordance with the terms of the deposit. BANK will allow, credit, and pay interest at rates and payment dates on such deposits as determined by negotiation between the BANK and BOARD. Provided, however, that notwithstanding any other provisions of this Agreement, BANK shall never be required to accept initially any Time Deposit-Open Account or Time Certificate of Deposit from BOARD that it does not elect to accept, but once having initially accepted any such deposit, BANK may terminate such deposit only in accordance with the terms of such deposit and this Agreement.

III. PAYMENT OF DEPOSITS

Subject to the provisions of the deposit in the case of time deposits, BANK shall pay on demand to the order of BOARD upon the proper presentation of wire transfer instructions, checks, drafts, or vouchers properly issued, all or any portion of the funds now on deposit or to be deposited with BANK. BANK shall make no deductions for its own account from BOARD'S account except as authorized in writing by BOARD or to correct operational errors in the normal course of business. The obligations of BANK under this Section shall survive the termination of this Agreement.

IV. COMPENSATION

BANK shall have a right to compensation for any and all services properly rendered to BOARD under this Agreement and such Service Agreement(s) as may be executed. An account analysis shall be provided to the BOARD each month on transaction accounts which details deposit activity, earnings credits, if any, services used, volumes, unit prices and total fees. Compensation shall be based upon the terms of a Service Agreement between the BANK and BOARD or, if no such Service Agreement exists and BOARD elects to use such services, the standard charges for such services as published by BANK. BANK agrees to offset monthly service fees first against an earnings credit for deposit balances in BOARD'S transaction accounts as may be defined in a Service Agreement or if not so defined based on its customary earnings credit for commercial accounts. No such service fees may be offset against deposits including any interest payments which accrue to BOARD. Should such earnings credits be insufficient to cover the monthly service fees or if no earnings credit is provided by BANK, a statement of such fees shall be provided BOARD which will then have 30 days to examine such statement and remit payment as provided by this Agreement or a Service Agreement to BANK.

V. COLLATERAL CUSTODY

BOARD hereby designates _____, an unrelated third party, as its CUSTODIAN (see "Collateral Custodial Agreement", Exhibit "A") to hold in an account of the Board of Regents of the U.T. System, the securities of BANK pledged to BOARD. BANK acknowledges and accepts that it will maintain the required Collateral with CUSTODIAN and will pay charges for custody services as set by and between CUSTODIAN and BANK. All administrative fees and charges of CUSTODIAN related to the receipt, delivery, and holding of income on securities, collection of income, annual administration, and transfer in or out of securities of BANK shall be paid by BANK. Without limiting BANK'S liability to pay such fees and charges, CUSTODIAN shall have the right, but shall not be under any duty, to collect such fees and charges from the income received on Collateral if so directed by BANK or upon BANK'S failure to pay the same. BOARD may substitute at its discretion a new CUSTODIAN upon 15 days written notice to BANK.

VI. ELIGIBLE COLLATERAL

BANK hereby pledges to the BOARD a security interest in the securities delivered to CUSTODIAN as collateral to secure all the deposits of BOARD. BANK hereby represents that it shall pledge as security for deposits of BOARD only those securities in which it is the legal and actual owner, free and clear of all other liens or claims. Securities eligible for pledge shall be Government Securities defined as follows:

"Government Securities" shall mean book entry U.S. Treasury Securities (as defined in Subpart O, 306.115(d) of Treasury Department Circular No. 300, 31 CFR Part 306) and any other securities issued or guaranteed by the United States Government or any agency or instrumentality thereof (except declining principal securities) and registered in the form of an entry on the records of the Federal Reserve System.

All of the Government Securities as defined above are hereinafter called "Collateral".

VII. REQUIRED COLLATERAL

The Collateral so pledged shall have an aggregate Market Value as determined by BOARD, exclusive of accrued interest, at all times at least equal to 103% (the "Required Collateral Percent") of the sum of the balances on deposit with BANK in all accounts of the BOARD. BOARD shall determine the Market Value of Collateral using the most recent available closing market price information as received from a recognized bond pricing data service or as published in the most recent issue of the Southwest edition of The Wall Street Journal. "Market Value" shall mean the closing market price of the security, determined in accordance with this Section, times the par amount of the security.

If after the close of trading on any business day the Market Value of the Collateral (as determined in accordance with the provisions of this Section) then held by the CUSTODIAN as a percent of the total deposits of BOARD is less than the Required Collateral Percent, BANK agrees to deliver to CUSTODIAN, without notice from BOARD, Collateral in an amount such that the Market Value of the Collateral then held by the CUSTODIAN plus the Market Value of the Collateral so delivered as a percent of the total deposits of BOARD will at least equal the Required Collateral Percent.

VIII. DELIVERY AND RELEASE OF COLLATERAL

BANK will deliver by book entry by the Federal Reserve System bank wire system to CUSTODIAN Collateral sufficient in amount to cover at least the Required Collateral Percent of the funds of BOARD now or hereafter on deposit as provided above. By not later than 1 P.M. on the day Collateral is delivered to CUSTODIAN hereunder, including any substituted Collateral as described in Section IX, BANK shall deliver by facsimile transmission or other written means to BOARD and CUSTODIAN a list of such Collateral on which BANK shall record the then Market Value thereof based on the closing market price as received from a recognized bond pricing data service or as published in the Southwest edition of The Wall Street Journal dated the close of the business day next preceding the date such Collateral is first pledged. Such Collateral shall be kept and retained by CUSTODIAN in trust for BOARD until such time as BOARD, in its sole discretion, shall have authorized CUSTODIAN, in writing, to release such Collateral as BOARD may designate. Requests for release from BANK must be received by BOARD not later than 12 Noon the business day next preceding the business day on which BANK requests Collateral be released. Should BOARD approve such release, a signed approval detailing such Collateral shall be delivered by BOARD to BANK by not later than 9:00 A.M. the business day on which Collateral is requested to be released.

IX. SUBSTITUTION OF COLLATERAL

If BANK shall desire to substitute any one or more of the Government Securities which constitute Collateral so deposited with CUSTODIAN, it may, without prior approval of BOARD, substitute for any one or more of such securities, other securities of the same or higher Market Value and of the character authorized herein. This right of substitution shall remain in full force and be exercised by BANK as often as it may desire at its cost provided, however, that at all times the aggregate amount of such securities deposited with CUSTODIAN shall be such that the aggregate Market Value thereof, exclusive of accrued interest, is at least equal to the Required Collateral Percent of the sum of BOARD'S funds on deposit in all accounts. Any request for substitution shall be submitted, in writing, to CUSTODIAN and all new Collateral, as proposed, delivered to CUSTODIAN by not later than 10:30 A.M. on the day on which such Collateral as is requested to be released is to be delivered by CUSTODIAN to BANK or its designee. Such request for substitution shall include the current Market Value, as determined in Section VIII, of the proposed new Collateral and the Collateral to be released.

X. INCOME ON SECURITIES

So long as BANK is in compliance with this Agreement, BANK shall be entitled to income on securities held by CUSTODIAN, and CUSTODIAN may dispose of such income as directed by BANK without approval of BOARD. Fees associated with the payment of income by CUSTODIAN shall be for the account of BANK.

XI. EVENTS OF DEFAULT

The following events shall be considered Events of Default by BANK:

- A. BANK fails at any time to pay immediately and satisfy upon presentation an order for payment lawfully issued against any deposit and BOARD has determined, in its sole discretion, that such failure has not occurred due to operational errors of BANK and such failure has not been corrected after one additional business day from the date the failure first occurred, or
- B. BANK is declared insolvent by a State or Federal bank regulatory agency, or
- C. BANK shall fail to maintain Collateral of the type and in the amount required under Sections VI and VII of this Agreement and such failure to maintain Collateral has not been corrected by BANK by 12 Noon the next business day after written notice by BOARD has been sent (by facsimile transmission or other immediately available method) to BANK, or
- D. Other than the events listed above, BANK shall breach its contract with BOARD and such failure has not been corrected to the satisfaction of BOARD after BANK has been sent (by facsimile transmission or other immediately available method) three days written notice by BOARD.

XII. REMEDIES

If an Event of Default shall occur, BOARD may:

- A. Immediately withdraw any or all of its funds on deposit including accrued interest with BANK without penalty regardless of the form of the deposit instrument, and to the extent BOARD is unable to withdraw such funds,
- B. Direct CUSTODIAN to sell the Collateral, and out of the

proceeds therefrom pay to BOARD all damages and losses sustained by BOARD together with all expenses of any kind incurred by BOARD and CUSTODIAN on account of such default and sale of Collateral. BANK shall be paid the remainder, if any, of said proceeds after full and final payment of all claims by BOARD and shall receive an accounting from CUSTODIAN of all transactions.

Any sale by CUSTODIAN herein made of such Collateral, or any part thereof, may be in any market for such Collateral after notice to BANK and shall convey the securities absolutely to purchaser. Notice to BANK shall be deemed to have been properly given by transmission of a facsimile message and shall be transmitted to BANK at least two hours before such sale. BANK may bid at any such sale of Collateral. BOARD shall also have all other rights of a secured party under the Texas Uniform Commercial Code whether or not the Collateral is subject to a security interest of the type governed by the Texas Uniform Commercial Code. BOARD may apply the Collateral to any obligation of BANK under this Agreement or any Service Agreement including prior accrued interest due to BOARD hereunder and not paid by BANK. BOARD shall immediately notify BANK after any such action. The rights of BOARD, CUSTODIAN and BANK under this Section shall survive the cancellation or termination of this Agreement.

XIII. TERMINATION

BOARD or BANK shall have the right to terminate this Agreement by advance written notice to the other of its election so to do, and this Agreement and any Service Agreements, except for the provisions of Section III and XII, shall be void from and after the expiration of ninety (90) days after the receipt of such notice, provided all provisions of this Agreement have been fulfilled. BOARD may immediately terminate this Agreement upon an Event of Default as listed in Section XI.

XIV. RETURN OF COLLATERAL

When the depository relationship of BOARD and BANK shall have ceased to exist, and when BANK shall have paid out all deposits of BOARD, it shall be the duty of BOARD to give CUSTODIAN a certificate to that effect, whereupon CUSTODIAN shall, with the approval of BOARD, redeliver to BANK all securities held as Collateral then in its possession belonging to BANK.

XV. MISCELLANEOUS

A. No failure or delay by BOARD in exercising any right, power or privilege hereunder or under any Service Agreement shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

B. Any provision of this Agreement may be amended or modified if, and only if, such amendment or modification is in writing and is signed by the BOARD and BANK.

C. Any provision of this Agreement which is prohibited, unenforceable or not authorized shall be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions thereof.

D. This Agreement shall be deemed to be a contract made under and shall be construed in accordance with and governed by the laws of the State of Texas and all applicable laws of the United States of America. The venue for any legal action to enforce or interpret this Agreement shall be in Travis County, Texas.

E. This Agreement may not be assigned by BANK without the prior written consent of BOARD. Any successor to BANK whether by sale, merger or operation of law shall be bound by the terms of this Agreement and any Service Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers or representatives as of the _____ day of _____, 19__.

Address:
210 West Sixth Street
Austin, Texas 78701

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Its: _____

ATTEST:

Executive Secretary

Address:

BANK

By: _____
Its: _____

ATTEST:

Its: _____

Exhibit "A"

THE STATE OF TEXAS

COLLATERAL CUSTODIAL AGREEMENT

This Agreement is made and entered into on the date last herein written by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (BOARD), and _____ (_____), under which _____ is to act as Custodian for BOARD to hold securities delivered by depository banks of the U.T. System including its component institutions (BANKS) as set forth in an of an official Bank Depository Agreement (Exhibit "A") executed by BOARD and BANK.

The parties agree as follows:

1. _____ is to be Custodian for BOARD of all securities and cash (Collateral) which are delivered to _____ by BANK pursuant to this Agreement and the Bank Depository Agreement. _____ agrees to serve as Custodian of the Collateral during the entire term of this Agreement. BANK may, from time to time, deliver additional securities as Collateral, or with the written approval of BOARD, withdraw the Collateral except as restricted herein.
2. With respect to the Collateral, _____ agrees to:
 - (a) Hold the Collateral in custody.
 - (b) Collect all income with respect to the Collateral and disburse to BANK on its instructions.
 - (c) Collect the principal of all securities which may mature while held in custody, or with respect to which payments of principal are otherwise made.
 - (d) Notify BOARD of the receipt of any new Collateral or substitution of Collateral as provided in the Bank Depository Agreement.
 - (e) Release Collateral to BANK only upon written instruction of BOARD unless new Collateral is provided in substitution of the Collateral to be released as provided in Section IX of the Bank Depository Agreement. _____ shall verify that Collateral delivered in substitution has a market value at least as great as Collateral to be released based upon market prices available on the date of substitution. Any release and delivery of

Collateral by _____ shall be completed on the same business day as long as any notice from BOARD or any new Collateral in substitution is delivered by not later than 10:30 A.M..

- (f) Provide a weekly report to BOARD by electronic transmission of the amount of Collateral on hand for each BANK by security including the then current Market Value as such is defined and fully described in Section VII of the Bank Depository Agreement.
- (g) Provide on-line daily access to Collateral information for each BANK by security to BOARD.
- (h) Immediately sell, upon notice from BOARD (acting under the provisions of Section XII of the Bank Depository Agreement) without prior notice or concurrence of BANK, the Collateral or any portion thereof and remit, in cash, the proceeds to BOARD or BOARD and BANK at BOARD'S direction. Sale of Collateral may be made in any recognized market for such Collateral. _____ shall provide a full accounting of any such transactions to BOARD and BANK within 30 days. Charges and expenses of _____ related to the sale of Collateral shall be for the account of BANK from its portion of proceeds thereof or if no such proceeds are available then from BOARD.
- (i) Charge and bill to the account of BANK all charges and fees related to receipt, holding, accounting, and delivery of Collateral, the collection, receipt, investment, accounting, and transfer of income of Collateral, and any other charges related to the custody services provided to BANK. Such charges may not exceed those as set forth in Exhibit "B"*to this Agreement except as approved by BOARD in writing.
- (j) Charge and bill to the account of BOARD those charges and fees related to the daily and weekly reporting of Collateral as provided in paragraph 2(f) and 2(g.) Such charges are set forth in Exhibit "C"*to this Agreement.
- (k) Carry out all instructions of the BOARD relating to the Collateral.

3. With respect to the Collateral, BOARD agrees to:

- (a) Promptly notify _____, in writing, of the

* Not on file in the Office of the Board of Regents.

addition of new BANKS including a copy of the Bank Depository Agreement.

- (b) Promptly notify _____ of any amendments to or the termination of the Bank Depository Agreement.
- (c) Renegotiate fees in good faith for the account of BOARD as a result of any such amendment to the Bank Depository Agreement.

4. _____ may in its discretion register any securities held by it hereunder in the name of nominees and the books and records of _____ shall at all times disclose that such securities are part of the Collateral.

5. _____ may in its discretion hold Collateral on deposit at other financial institutions provided, however, that any Collateral held at other institutions shall at all times be readily deliverable upon direction of BOARD.

6. For its services hereunder, _____ shall be entitled to compensation as shown on Exhibit "B" and Exhibit "C", attached hereto, which compensation shall be paid by BANK or BOARD upon receipt of invoice. Without limiting BANK'S liability to pay such compensation, as set forth in Section V of the Bank Depository Agreement _____ shall have the right, but shall not be under any duty, to collect such compensation from the income received on Collateral if so directed by BANK or upon BANK'S failure to pay the same.

7. BOARD shall indemnify and hold _____ harmless, to the extent authorized by the Constitution and laws of the State of Texas, from all costs, damages, attorneys' fees, expenses, liabilities, suits or other claims arising out of or from any actions taken by instructions from BOARD. _____ shall be protected in acting upon any written notice, request, waiver, consent, certificate, receipt, authorization, or other paper or document from BOARD which it believes to be genuine and what it purports to be. _____ shall not be liable for anything which it may do or refrain from doing in connection with this Agreement except its own negligence or willful misconduct.

8. Notices and other communications to be delivered to BOARD pursuant to this Agreement will be effective only if in writing and delivered to:

Office of Endowment Management and Administration
The University of Texas System
210 W. 6th Street
Austin, Texas 78701
Attention: Collateral Administration

Notices, instructions and other communications to _____ pursuant to this Agreement will be effective only if in writing and delivered to:

9. _____ shall keep adequate records of its activities as Custodian, and shall deliver to BANK and BOARD a monthly statement of its transactions as Custodian and of the assets held at the end of each month. Such records shall be available to BANK and BOARD or persons authorized by BANK and BOARD for inspection during _____ regular business hours.

10. _____ may resign as Custodian upon giving written notice to BOARD and BANK ninety (90) days before the termination shall become effective. BOARD may terminate this Agreement upon fifteen (15) days notice to _____ and BANK. Upon termination, _____ shall deduct proper charges payable to it pursuant to paragraph 6 but only from the undistributed income on hand from the Collateral, and shall deliver the remainder of the Collateral to the person designated by BOARD.

Executed this _____ day of _____, 19__.

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Its: _____

ATTEST:

Executive Secretary

ATTEST:

Its: _____

By: _____
Its: _____

ATTEST:

Its: _____

10. U. T. Arlington: Authorization to Sell the Residence Located at 4165 Shady Valley Drive, Arlington, Tarrant County, Texas, and Approval for the Vice President for Business Affairs to Execute Related Documents.--Authorization was granted to sell the residence, furnishings, and fixtures located at 4165 Shady Valley Drive, Arlington, Tarrant County, Texas, at fair market value for the benefit of The University of Texas at Arlington.

Further, the Vice President for Business Affairs at U. T. Arlington or his delegate was authorized to execute contracts and closing documents required for the sale following approval by the Executive Vice Chancellor for Academic Affairs, the Executive Director for Lands and Endowment Real Estate, and the Office of General Counsel. Proceeds from the sale will be returned to the source for the original purchase.

Dr. Wendell H. Nedderman is officially retiring as President of U. T. Arlington effective August 31, 1992. The candidate selected as new president will be provided a housing allowance as a part of the compensation package. Thus, the house which has been owned and maintained by U. T. Arlington as the presidential residence since January 6, 1967, is no longer needed.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 48 - 79).--Committee Chairman Barshop reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter VIII, Section 4 (Institutions and Entities Composing the System).--In order to reflect the name change of The University of Texas - Pan American at Brownsville to The University of Texas at Brownsville as authorized by passage of Senate Bill 1050, 72nd Texas Legislature, Regular Session, and, pending Texas Higher Education Coordinating Board approval to reflect the titles of U. T. Brownsville's academic entities, the Board amended the Regents' Rules and Regulations, Part One, Chapter VIII, Section 4 (Institutions and Entities Composing the System) as set forth below:
 - a. Renumbered present Subsections 4.5 through 4.7 as Subsections 4.6 through 4.8, respectively, with attendant renumbering of their subdivisions
 - b. Added new language to Subsection 4.5 as set forth below to reflect the full title and short title of the institution:

	<u>Full Title</u>	<u>Short Title</u>
4.5	The University of Texas at Brownsville	U. T. Brownsville
4.51	The University of Texas at Brownsville School of Business and Industry	
4.52	The University of Texas at Brownsville School of Education	
4.53	The University of Texas at Brownsville School of Health Sciences	
4.54	The University of Texas at Brownsville College of Liberal Arts	
4.55	The University of Texas at Brownsville College of Science and Mathematics	
4.56	The University of Texas at Brownsville Division of Continuing Education	

- c. Deleted present Subsection 4.8.

See Page 73 related to the names of the academic entities at U. T. Brownsville.

2. U. T. System: Approval of Plan for Instructional Telecommunications at Component Institutions and Authorization to Submit the Plan to the Coordinating Board for Approval.--Upon recommendation of the Academic Affairs and Health Affairs Committees, the Board approved the "Plan for Instructional Telecommunications at The University of Texas System Component Institutions" as set out on Pages 50 - 55 and authorized submission of the Plan to the Texas Higher Education Coordinating Board for approval.

It was noted that the Plan, which was developed with input from the U. T. System component institutions, was established in accordance with Coordinating Board regulations requiring an institutional plan for institutions seeking authority to offer instruction via telecommunication technology.

Upon Coordinating Board approval, U. T. System component institutions will implement instructional activities via telecommunications within the established guidelines set forth in the Plan. Current instructional telecommunications activities were approved on an interim basis.

THE UNIVERSITY OF TEXAS SYSTEM

PLAN FOR INSTRUCTIONAL TELECOMMUNICATIONS
AT U. T. SYSTEM COMPONENT INSTITUTIONS

The following plan is in accordance with the requirements of the Texas Higher Education Coordinating Board Rules and Regulations, Chapter 5, Subchapter H on "Approval of Off-Campus and Out-of-District Instruction for Public Colleges and Universities" and Subchapter J on "Instructional Telecommunications."

1. Authority and General Information

- A. The "Plan for Instructional Telecommunications at U. T. System Component Institutions" was approved on October 11, 1991, by the U. T. System Board of Regents to be effective upon approval by the Texas Higher Education Coordinating Board.
- B. All U. T. System component institutions are authorized to engage in instructional activities using telecommunications technology within the parameters of this plan and, when applicable, with required approvals by the U. T. System Administration and the Texas Higher Education Coordinating Board. Such activities include, but are not limited to, the following:
- (1) interactive telecommunications from point to point;
 - (2) partial broadcast with one-way video and two-way audio; and,
 - (3) broadcast.

Courses to be offered by telecommunications for regular college credit must be included in the originating institution's current course inventory as approved by the Coordinating Board. In addition, such courses must support an authorized degree or certificate program or approved cooperative degree program at the receiving institution if the receive site is another institution of higher education. Telecommunications facilities may also be used for noncredit continuing education courses, lecture programs, arts presentations, segments of regular on-campus courses, and/or other academic programs which do not offer formal course credit.

- C. Approved credit courses offered via telecommunications may be delivered in the following "geographic" areas:
- (1) on the campuses of U. T. System component institutions, provided that such courses do not duplicate courses offered by other public institutions of higher education near the receive site;
 - (2) on the campuses of non-U. T. System component institutions for courses in support of approved cooperative degree or certificate programs between originating and receiving institutions;

- (3) at off-campus sites that are part of Coordinating Board recognized networks such as The Association for Graduate Education and Research (TAGER);
- (4) at sites within commuting distance of the originating campus approved by the Coordinating Board as a convenience to commuter students who are enrolled in regular on-campus courses and are required to attend some class sessions on the campus; and
- (5) at other sites approved by the Coordinating Board, with the understanding that the originating institution will provide the Coordinating Board with regional council approval for lower-division courses and/or assurance that upper-level and graduate courses have been reviewed for duplication by potentially affected institutions in the receiving area. (See Coordinating Board Rules and Regulations, Chapter 5, Subchapter H.)

2. Quality

- A. Each U. T. System component institution that originates instructional telecommunications credit courses shall include such courses in the usual academic review procedures for all courses and shall review the quality of each such course to assure that it is equal to or greater than the quality of on-campus instruction.
- B. All credit courses offered via telecommunications shall be taught by regular full-time faculty unless prior approval has been given by the appropriate Executive Vice Chancellor of the U. T. System. Examples of appropriate exceptions include use of distinguished visiting faculty, adjunct faculty, specialists, or other part-time faculty with particular expertise. This requirement does not preclude the use of guest lecturers for individual segments within a course.
- C. All credit courses must have a structured plan for faculty/student interaction that includes an orientation session at the beginning of the course, periodic scheduled sessions on an individual basis or in a group setting, and provision for access by the student to the instructor of record by telephone or other means.
- D. Credit courses offered by a U. T. System component institution at an off-campus site should provide adequate support such as library or other learning resource materials. In off-campus settings, the receiving organization would ordinarily have responsibility for meeting this need.
- E. No more than one-third of the semester-credit-hour requirements for an individual student's degree program or certificate program may be

earned in courses offered via telecommunications unless a plan is approved by the appropriate Executive Vice Chancellor and the Commissioner of Higher Education.

3. Delivery Systems

- A. The U. T. System component institutions are authorized to utilize the following systems for the delivery of instructional telecommunications credit courses:
- (1) Point-to-point interactive technology (two-way video, two-way audio or one-way video, two-way audio) between or among component institutions or other institutions with cooperative degree programs or approved consortia (such as TAGER);
 - (2) Broadcast media upon approval by the appropriate Executive Vice Chancellor and in compliance with Coordinating Board rules.
- B. Receive sites for point-to-point interactive credit courses are identified by the attached list of U. T. System component institutions and other institutions that participate with U. T. System component institutions in cooperative degree programs. Additional sites are subject to prior approval by the Coordinating Board.

4. Course Inventory

- A. Each U. T. System component institution that originates credit courses via telecommunications must comply with the requirement of the Coordinating Board for submitting a list of all such credit courses, including a list of receive sites, using the "Y" update form from the Coordinating Board. The form shall be submitted directly to the Coordinating Board with an information copy to the appropriate Executive Vice Chancellor.
- B. The U. T. System component institution must affirm that the courses to be offered are appropriate for delivery via telecommunications.

5. Cost and Income

A cost and income summary description follows:

- (1) Telephone and compressed digital television transmission equipment costs at U. T. System component institutions are funded through the U. T. System Office of Telecommunications Services (OTS). Bond proceeds from the Permanent University Fund in the amount of \$2.5 million were authorized by the U. T. Board of Regents in June 1989 for this purpose and a balance of approximately \$1.75 million remains for additional projects as specific campus linkages are completed.

Cameras, monitors, microphones, and related campus equipment used to generate the signals for transmission over the network or to receive and display signals from the network are provided by the individual components from a variety of sources.

- (2) On-going support for operation of System-wide telecommunications activities, including telephones, digital transmission for the supercomputer and administrative computers, library on-line catalog interconnections, as well as interactive instructional telecommunications, is provided by the U. T. System Office of Telecommunications Services and is funded from various sources and from charges to the institutions connected to the networks.
- (3) Incremental institutional costs associated with instructional telecommunications delivery, such as a camera operator or classroom technical assistant, are met from various sources by the U. T. System component institutions.

ATTACHMENT: PLAN FOR INSTRUCTIONAL TELECOMMUNICATIONS

3.B Receive Sites for Point-to-Point Interactive Telecommunications

U. T. System Component Institutions

The University of Texas at Arlington
Post Office Box 19125
Arlington, Texas 76019

The University of Texas at Austin
Main Building 400
Austin, Texas 78713-7389

The University of Texas
at Brownsville
1614 Ridgely Road
Brownsville, Texas 78520-4991

The University of Texas at Dallas
Post Office Box 830688
Richardson, Texas 75083-0688

The University of Texas at El Paso
El Paso, Texas 79968-0500

The University of
Texas - Pan American
1201 West University Drive
Edinburg, Texas 78539-2999

The University of Texas
of the Permian Basin
Odessa, Texas 79762

The University of Texas at San Antonio
San Antonio, Texas 78285-0601

The University of Texas at Tyler
3900 University Boulevard
Tyler, Texas 75701-6699

The University of Texas Southwestern
Medical Center at Dallas
5323 Harry Hines Boulevard
Dallas, Texas 75235-9002

The University of Texas Medical
Branch at Galveston
Galveston, Texas 77550-2774

The University of Texas Health
Science Center at Houston
Post Office Box 20036
Houston, Texas 77225

The University of Texas Health
Science Center at San Antonio
7703 Floyd Curl Drive
San Antonio, Texas 78284

The University of Texas
M.D. Anderson Cancer Center
1515 Holcombe Boulevard
Houston, Texas 77030

The University of Texas Health
Center at Tyler
Post Office Box 2003
Tyler, Texas 75710

Other Institutions with Which U. T. System Component
Institutions Have Cooperative Degree Programs

East Texas State University
East Texas Station
Commerce, Texas 75428

With U. T. Arlington and Midwestern State
University (Wichita Falls) - M.S. in Social Work

East Texas State University
Center - Texarkana
Post Office Box 5518
Texarkana, Texas 75501

With U. T. Arlington - B.S. in Nursing

Midwestern State University
3400 Taft Boulevard
Wichita Falls, Texas 76308

With U. T. Arlington and East Texas State
University (Commerce) - M.S. in Social Work

Texas A&M University
College Station, Texas 77843-1246

With U. T. Tyler - Doctoral Program in Industrial
Education (Pending)

Texas Tech University (HSC)
Lubbock, Texas 79409-4349

With U. T. El Paso - Occupational Therapy and Physical
Therapy

Texas State Technical Institute
Waco, Texas 76705

With U. T. Tyler, U. T. Pan American, and U. T. Permian
Basin - B.S. in Technology (Pending)

University of Houston
Houston, Texas 77002

With U. T. Brownsville - Ed.D. in Educational Administration

3. U. T. Arlington: Approval of a Cooperative Agreement with Riga Technical University, Riga, Latvia, U.S.S.R., and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute Agreement.--The Board approved the cooperative agreement set out on Pages 56 - 60 between The University of Texas at Arlington and Riga Technical University, Riga, Latvia, U.S.S.R.

Further, the Executive Vice Chancellor for Academic Affairs was authorized, on behalf of the U. T. Board of Regents, to execute this agreement with the understanding that any and all specific agreements arising from the agreement are to be submitted for prior administrative review and subsequent approval as required by the Regents' Rules and Regulations.

COOPERATIVE AGREEMENT

between The University of Texas at Arlington (Arlington, Texas, United States of America) and Riga Technical University (Riga, Latvia, U.S.S.R.).

Both parties have expressed the desire to do joint research in priority fields including science, engineering and technology, and other fields that are of mutual interests to them, to hold joint conferences, symposiums, seminars, exchange of personnel and students, and to prepare collective monographs and publications.

Both parties recognize the great potential of mutual interests and benefits in the various fields of interest such as scientific and technological development, joint research and publications and international scientific exchange.

Taking into consideration the above mentioned interests and benefits, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

Article 1: PARTICIPANTS IN PROGRAM OF COOPERATIVE AGREEMENT

The participants in programs developed pursuant to this Agreement may be:

- (1) The University of Texas at Arlington (UTA) and other institutions which have been invited by UTA and who choose to participate; and
- (2) Riga Technical University (RTU) and other institutions which have been invited by the RTU and who choose to participate.

Cooperative Agreement: page 2

Participating institutions shall be designated as either "sending" or "host" organizations in the specific, written program agreements. Type of cooperation and number of institutions involved in the program may be increased under mutual written agreement.

Article 2: SCOPE OF PROGRAMS

Participating institutions may exchange faculty members, faculty adjuncts, graduate students and undergraduate students, and may share scientific and non scientific materials, methods of teaching, and scientific and technical information, under specific written agreements to be formulated by mutual agreement. Exchange programs on each side shall be equal.

Both institutions may develop a Specific Program Agreement including scope of specific activities and form of cooperation for ____ years to support each article of this Agreement.

This cooperation program may include long-term and short-term scientific, non scientific and engineering research, and exchange of faculty and students to study any discipline mutually agreed upon.

Article 3: QUALIFICATIONS OF PARTICIPANTS

The exchange participants shall be selected by the sending institution, provided that the host institution gives its consent with respect to each candidate.

Cooperative Agreement: page 3

Each participating institution shall establish its own procedures for selecting individual participants for the program. However, applications for individual participants shall include certain biographical data that shall be sent to the prospective host institution. The form of this biographical information shall be mutually agreed upon by the administrators of the program, and shall be printed both in English and Latvian. Applicants may complete the form in either language desired. After acceptance into the program, the host institution will assist in visa procurement for the approved participants.

Article 4: RESPONSIBILITIES AND RIGHTS

UTA and RTU shall annually negotiate the specific program of mutual cooperation for the next academic year through official representatives.

Each party will retain ownership of intellectual property rights in their respective data, inventions or works of authorship (collectively referred to as "creations"). Jointly developed creations will be jointly owned and use thereof by third parties will be allowed only by mutual agreement of the participating parties (owners).

Notwithstanding any provision to the contrary, this Agreement may be cancelled without penalty by ___ days notice being given in writing by authorized representatives of the parties. Cancellation becomes effective following fulfillment of the Cooperative Agreement in effect at that time.

If this agreement is cancelled prior to the end of its term, UTA and RTU agree

Cooperative Agreement: page 4

not to hold the other institution liable for any resulting monetary losses.

Article 5: FINANCIAL MATTERS

During any type of cooperation the host institution shall be responsible for ensuring the academic and research program, accommodations and a stipend at a level mutually agreed upon.

UTA shall be responsible for ensuring round-trip transportation of the UTA participants from their home to the academic facility where the exchange will take place in the host institution's country.

RTU shall be responsible for ensuring round-trip transportation of the participants from their home to the academic facility where the exchange will take place in the host institution's country.

If any participant family members plan to visit the host institution's country, the cost of their transportation, accommodations, and living cost shall be covered by the individual participating institution or at the individual participant's own expense.

Article 6: MISCELLANEOUS PROVISIONS

This Agreement, which shall become effective on _____, 1991, shall be in effect for ____ years thereafter unless one of the parties notifies the other in writing of its desire to terminate the Agreement no later than one year before its expiration.

Cooperative Agreement: page 5

This agreement has been translated into Latvian and English and developed in 4 copies. Both parties are fully satisfied that both translations are correct.

Agreement Subordinate. Anything to the contrary herein notwithstanding, this Agreement shall be subject to the Rules and Regulations of the Board of Regents of The University of Texas System and the Handbook of Operating Procedures of UTA, and equivalent documents of the RTU.

RIGA TECHNICAL UNIVERSITY

THE UNIVERSITY OF TEXAS
AT ARLINGTON

By: _____

By: _____

Title: _____

Title: _____

FORM APPROVED:

Office of General Counsel
The University of Texas System

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

James P. Duncan
Executive Vice Chancellor for
Academic Affairs

ATTEST:

Arthur H. Dilly
Executive Secretary,
Board of Regents
The University of Texas System

4. U. T. Austin: Permission for (a) Dr. William L. Fisher to Serve on the University Advisory Board of the Center for Legislative Energy and Environmental Research (CLEER) and (b) Mr. Max Sherman to Serve as Chairman of the Board of Trustees of a Nonprofit Corporation Related to Oversight of Insurance in Texas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for the following faculty members at The University of Texas at Austin to serve as indicated:
- a. Dr. William L. Fisher, Professor of Geological Sciences and Director of the Bureau of Economic Geology, on the University Advisory Board of the Center for Legislative Energy and Environmental Research (CLEER)
 - b. Mr. Max Sherman, Dean of the LBJ School of Public Affairs, as Chairman of the Board of Trustees of a nonprofit corporation to be established by the Attorney General of Texas to improve the effectiveness of the oversight of insurance in Texas.

It was noted that these individuals will serve in these capacities without compensation.

These appointments are of benefit to the State of Texas, create no conflict with their regular duties at U. T. Austin and are in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

5. U. T. Austin: Approval of (a) Cooperative Agreement with the University of Iberoamericana, Mexico City, Mexico, (b) Cooperative Agreement with the Queen Mary and Westfield College, University of London, England, and (c) Memorandum of Understanding with the University of the Andes, Merida, Republic of Venezuela, and VENUSA C.P.S.A., West Palm Beach, Florida, and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute the Agreements.--The Board, upon recommendation of the Academic Affairs Committee, approved the following agreements on behalf of The University of Texas at Austin:
- a. Cooperative agreement with the University of Iberoamericana, Mexico City, Mexico (Pages 62 - 66)
 - b. Cooperative agreement with the Queen Mary and Westfield College, University of London, England (Pages 67 - 68)
 - c. Memorandum of understanding with the University of the Andes, Merida, Republic of Venezuela, and VENUSA C.P.S.A., West Palm Beach, Florida (an acronym for Foreign Cultural Programs between Venezuela and the U.S.A. for the Teaching of Spanish) (Pages 69 - 72).

Further, the Executive Vice Chancellor for Academic Affairs was authorized, on behalf of the U. T. Board of Regents, to execute these agreements with the understanding that any and all specific agreements arising from these agreements are to be submitted for prior administrative review and subsequent approval as required by the Regents' Rules and Regulations.

AGREEMENT BETWEEN

THE UNIVERSITY OF IBEROAMERICANA, A.C.
Losmas de Santa Fe, Mexico, D.F.

and

THE UNIVERSITY OF TEXAS AT AUSTIN
Austin, Texas

This is a General Academic Exchange Agreement entered into between THE UNIVERSITY OF TEXAS AT AUSTIN, henceforth referred to as "UT Austin," represented by its president, William H. Cunningham, and the UNIVERSIDAD IBEROAMERICANA, A.C., henceforth referred to as "UIA," represented by its rector, Dr. Carlos Escandon Dominguez, both duly authorized to sign binding conditions in the context of this document, under the following:

DECLARATIONS

FIRST: UT Austin declares:

- a) That it is a public university established in 1881 by the Constitution and the legislature of the State of Texas.
- b) That it has among its objectives teaching, research, service to the public, and assisting with the development of human resources.
- c) That its address for the purposes of this Agreement is: The University of Texas at Austin, Austin, Texas 78713.

SECOND: UIA declares:

- a) That it is a Civil Association constituted on September 20, 1954, before Mr. Manuel Borja Soriano, Notary Public, under the deed registered in volume XXI, instrument 766, with official recognition by presidential decree, published in the Official Federal Record on April 27, 1981, of the validity of secondary and higher education studies that it offers in the Mexican Nation.
- b) That it has among its objectives research, teaching, cultural activities and the offering of professional and academic services in accordance with the ideals set forth in its Idearium.
- c) That its address for the purposes of the present Agreement is: Prolongación Paseo de la Reforma 880, Lomas de Santa Fé, 01210 México, D.F.

Agreement of Cooperation
U.T. Austin/University of Iberoamericana

THIRD: Both Parties Declare:

That they have a specific interest in entering into the present Agreement to contribute to their common objectives by means of the exchange of academic assistance and support services to carry out their respective activities.

Having stated their intent, both parties are in agreement in subscribing to the conditions expressed as follows:

CLAUSES

FIRST: Purpose

The parties agree that the purpose of the present Agreement is the exchange of academic assistance and support services for the accomplishment of their respective activities.

SECOND: Work Programs

Programs may be established to attain the aforementioned purposes. These programs must benefit both institutions. Each program will include its purpose, tasks to be carried out, schedule, costs, coordinators, duration and jurisdiction. With prior approval by both parties, the programs will be covered by specific collaboration agreements and will be considered an integral part of the present Agreement.

THIRD: Obligations of the Parties

Both parties will study the advantages, common interest, and concrete ways of collaborating in:

- a) Academic Improvement. Promoting the academic improvement of their personnel.
- b) Teaching. Jointly organizing programs, courses, seminars, and other activities.
- c) Research. Engaging jointly in research having a social benefit.
- d) Academic and Professional Services. Lending each other counsel, technical assistance and services.

Agreement of Cooperation
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- e) Extension Activities. Jointly carrying out academic and professional events and developing related publications.

FOURTH: Limitations and Costs

- a) The limitations of this exchange and mutual assistance will be determined by the administrative, economic and scientific capacity of both institutions.
- b) The costs of assistance will be subject to agreement between the parties.
- c) The costs not specified will be assumed by each party for its corresponding part.
- d) In the event that the funds necessary for the development of the activities relative to the present Agreement cannot be totally provided jointly and fairly by the parties, both parties agree to seek funds from governmental institutions, private agencies, and international organizations.

FIFTH: Labor Relations

The parties agree that in those cases in which tasks are to be accomplished jointly or that are carried out in the facilities or with equipment belonging to either institution neither party may be considered a substitute employer for the other. Therefore each party will be free of any responsibility in matters pertaining to personnel of the other party.

SIXTH: Institutional Representation

In all that pertains to the present Agreement the parties name the following officials, and in the future those persons who will replace them in the functions:

- a) As institutional representatives:

For UT Austin:

Dr. George C. Wright
Vice Provost

For UIA,

Mtro. Alberto S. Segrera Miranda
Director of External Exchange

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b) As program coordinators:

In those cases that warrant it, program coordinators shall be named for specific work programs.

For the instrumentation, development and assessment of the present Agreement, a Bipartite Committee composed of the institutional representatives and program coordinators of both parties will be constituted. This committee will meet or confer as needed.

SEVENTH: Duration

This agreement shall remain in effect until terminated by either institution. Termination by one institution shall be effected by giving the other institution at least ninety days advance notice of the intention to terminate. Termination shall be without penalty. If this agreement is terminated, neither party will hold the other party liable for any monetary or other losses that may result.

EIGHTH: Jurisdiction

The parties declare that the present Agreement has been arrived at in good faith. They will make every effort to meet its conditions. Should there be any discrepancy over its interpretation or its fulfillment, they will, voluntarily and by mutual agreement, designate an arbiter who will decide on the pending controversy.

Agreement of Cooperation
U.T. Austin/University of Iberoamericana

EXECUTED by the Board of Regents of The University of Texas System and the University of Iberoamericana, Mexico City, Mexico on the day and year first below written, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT AUSTIN

BY: _____
William H. Cunningham

TITLE: PRESIDENT

THE UNIVERSITY OF IBEROAMERICANA,
MEXICO CITY, MEXICO

BY: _____

TITLE: _____

FORM APPROVED:

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Office of General Counsel

BY: _____
James P. Duncan
Executive Vice Chancellor for
Academic Affairs

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1991 and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

AGREEMENT OF ACADEMIC COOPERATION
BETWEEN
THE UNIVERSITY OF TEXAS AUSTIN (U.S.A.)
AND
QUEEN MARY AND WESTFIELD COLLEGE, UNIVERSITY OF LONDON (ENGLAND)

In order to encourage closer academic ties, The University of Texas at Austin School of Law and Queen Mary and Westfield College, University of London, enter into an agreement of cooperation to establish programs of exchange and collaboration in areas of interest and benefit to both institutions. This agreement will serve as a general framework for cooperation between the two institutions and is intended to facilitate the development of specific independent programs of collaboration in the areas listed below.

In particular, the two institutions agree:

- a. to identify opportunities for exchange of faculty and research staff;
- b. to establish programs that will enable interested and qualified students to pursue either short-term or extended programs of study in the respective institutions;
- c. to identify other areas of possible interest and collaboration; and
- d. to make faculty and students aware of the academic programs, study opportunities, research institutes, and educational resources of the other institution.

Designated persons at each institution shall oversee and facilitate implementation of this agreement in cooperation with other appropriate administrators at the respective institutions.

The scope of activities under this agreement shall be determined by the funds regularly available at both institutions for the types of collaboration undertaken and by such other financial assistance as may be obtained by either institution from external sources.

Upon approval by each institution, this agreement shall be in effect until terminated by either institution. Either institution may amend, add to, or terminate this agreement with mutual consent of the other institution and must provide at least six months advance notice of the intention to terminate. Termination shall be without penalty.

Agreement of Academic Cooperation
U.T. Austin/Queen Mary and Westfield, University of London
Page 2 of 2

EXECUTED by the Board of Regents of The University of Texas System and the Queen Mary and Westfield College, University of London, on the day and year first below written, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT AUSTIN

BY: _____
William H. Cunningham

TITLE: PRESIDENT

QUEEN MARY AND WESTIFELD COLLEGE,
UNIVERSITY OF LONDON (ENGLAND)

BY: _____
Graham Zellick

TITLE: PRINCIPAL

FORM APPROVED:

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Office of General Counsel

BY: _____
James P. Duncan
Executive Vice Chancellor for
Academic Affairs

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1991 and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

MEMORANDUM OF UNDERSTANDING
between
THE UNIVERSITY OF TEXAS AT AUSTIN
Austin, Texas, U.S.A.
and
THE UNIVERSITY OF THE ANDES
Merida, Republic of Venezuela
and
VENUSA C.P.S.A.
West Palm Beach, Florida, U.S.A.

This is an agreement between the UNIVERSITY OF THE ANDES, represented by its rector, Dr. Nestor Lopez Rodriguez, with identity card #679218, authorized by the University Council in ordinary session on 22-9-88; THE UNIVERSITY OF TEXAS AT AUSTIN, represented by its president, Dr. William H. Cunningham; and VENUSA C.P.S.A. (Foreign Cultural Programs between Venezuela and the U.S.A. for the teaching of Spanish) represented by Mr. Errol Portuondo, passport #042213097, Executive Director. In fulfillment of the stipulations in agreement 12357 signed on 15 March 1989 between the University of the Andes and VENUSA C.P.S.A., the following is made known:

FIRST: The purpose of this agreement is to establish academic and cultural cooperation between the interested parties in areas of mutual interest and benefit.

SECOND: VENUSA and the University of the Andes agree to offer predetermined courses for students enrolled at The University of Texas at Austin. Courses in intensive Spanish shall be offered during the summer with a duration of six weeks. The courses will be designed for undergraduate students. Dates will correspond with the summer term academic calendar at The University of Texas at Austin. A University of Texas at Austin faculty member will accompany the group and supervise the coursework, to the extent that funding is available.

THIRD: Dr. Julian Aguirre Pe, former Vice-Rector of the University of the Andes, will be the responsible officer in Merida for this cooperative program; at The University of Texas at Austin the program coordinator will be Dr. George C. Wright, Vice Provost; and the academic advisor for Spanish language courses will be Dr. Robert Brody of the Department of Spanish and Portuguese.

FOURTH: The two universities also shall study ways to establish an exchange of teachers and students keeping in mind (1) that both institutions are public and thus are limited in the number of positions and the amount of financial aid they may obtain for such exchanges; and (2) that each institution is free to determine the number of personnel it is able to host at any one period of time and to determine the duration of such exchanges. At The University of

Memorandum of Understanding
U.T. Austin/University of the Andes/Venusa C.P.S.A
Page 2 of 4

Texas at Austin, ultimate approval for such exchanges must occur at the level of the Provost.

FIFTH: The instructor(s) entrusted with teaching the special course(s) assures the University of the Andes and The University of Texas at Austin that instructor shall keep all class programs going regardless of labor conflicts or other types of interruptions except in circumstances beyond his control.

SIXTH: The responsibility of the University of the Andes as specified in this MEMORANDUM OF UNDERSTANDING is limited to the presentation of the courses. The instructor(s) teaching the course(s) will evaluate the students' performance and assign interim grades. It is the responsibility of The University of Texas at Austin to assign final grades. VENUSA C.P.S.A. is responsible for personnel and related expenses, including the salary(ies) of the professor(s) teaching in the special classes, as well as the costs of room and board, and any other costs derived from course development.

SEVENTH: Items unforeseen and unresolved in this MEMORANDUM OF UNDERSTANDING will be resolved by common agreement among the parties either by correspondence or through a meeting arranged at a place and time mutually agreeable to all parties.

EIGHTH: This agreement shall remain in effect until terminated by any of the parties. Termination by one party shall be effected by giving the other parties at least ninety days' advance notice of the intention to terminate. Termination shall be without penalty. If this agreement is terminated, no party shall hold the other parties liable for any monetary or other losses that may result.

Memorandum of Understanding
U.T. Austin/University of the Andes/Venusa C.P.S.A
Page 3 of 4

EXECUTED by the Board of Regents of The University of Texas System,
the University of the Andes and Venusa C.P.S.A. on the day and year
first below written, in duplicate copies, each of which shall be
deemed an original.

THE UNIVERSITY OF TEXAS AT AUSTIN

BY: _____
William H. Cunningham

TITLE: PRESIDENT

THE UNIVERSITY OF THE ANDES,
MERIDA, VENEZUELA

BY: _____
Nestor Lopez Rodriguez

TITLE: RECTOR

VENUSA C.P.S.A., WEST PALM BEACH,
FLORIDA, U.S.A.

BY: _____
Errol Portuondo

TITLE: EXECUTIVE DIRECTOR

FORM APPROVED:

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Office of General Counsel

BY: _____
James P. Duncan
Executive Vice Chancellor for
Academic Affairs

Memorandum of Understanding
U.T. Austin/University of the Andes/Venusa C.P.S.A
Page 4 of 4

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1991 and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

6. U. T. Brownsville: Approval of Academic Organizational Structure and Authorization for Submission to the Coordinating Board for Approval.--In order to implement the Educational Partnership Agreement between The University of Texas at Brownsville and Texas Southmost College, the following academic organizational structure at U. T. Brownsville was approved and authorization was granted to submit the academic organizational structure to the Texas Higher Education Coordinating Board for approval:

School of Business and Industry

Department of Business Administration
Department of Office Occupations
Department of Industrial Technology

School of Education

Department of Education
Department of Kinesiology
Department of Reading

School of Health Sciences

Department of Nursing
Department of Allied Health

College of Liberal Arts

Department of English and Speech
Department of Social Sciences
Department of Behavioral Sciences
Department of Fine Arts
Department of Modern Languages
Department of Criminal Justice
(including Police Academy)

College of Science and Mathematics

Department of Physical Sciences
Department of Computer Science
and Information Systems
Department of Biological Sciences
Department of Mathematics

Division of Continuing Education

Under this organizational structure, the existing academic units at Texas Southmost College will be combined with the existing academic units at U. T. Brownsville to create a combined entity which will function in a traditional university structure. This structure will not increase the cost of administration of the combined entities and will accommodate anticipated future growth.

The new structure is to be fully implemented not later than September 1, 1992, with selected elements of the structure being phased-in during the current year.

See Page 48 related to an amendment to the Regents' Rules and Regulations to change the name of U. T. Brownsville.

7. U. T. Dallas - The Aerospace Heritage Foundation, Inc.: Approval of Appointments to the Board of Directors.-- The Aerospace Heritage Foundation, Inc. is an internal corporation as defined in Part One, Chapter VII, Section 6 of the Regents' Rules and Regulations and the U. T. Board of Regents is, under the charter of this corporation, authorized to appoint the Board of Directors.

In accordance therewith, the following were appointed to the Board of Directors of The Aerospace Heritage Foundation, Inc. at The University of Texas at Dallas effective immediately for terms to expire December 31, 1992:

Reappointments

Mr. M. A. "Dutch" Barbettini, Neosho, MO
Mr. John Kumpf, Dallas

New Appointments

Mr. Jan Collmer, Dallas
Mr. Creed Ford, Dallas
Mr. George W. Jalonick, IV, Dallas
Mr. Bob Kopitake, Hurst
Mr. Rodger Meier, Dallas
Mr. Ed Rice, Garland
Mr. Sam Stuart, Dallas
Mrs. Louisa Timken, Canton, OH
Mr. Dick Williamson, Dallas

The Aerospace Heritage Foundation, Inc. functions as U. T. Dallas' fund raising organization and advisory board for the History of Aviation Collection housed in the Special Collections Department of the Eugene McDermott Library.

8. U. T. Dallas: Establishment of an Advisory Council for the Cecil and Ida Green Center for the Study of Science and Society and Approval of Initial Nominees Thereto (Regents' Rules and Regulations, Part One, Chapter VII, Section 3).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, the Board established an Advisory Council for the Cecil and Ida Green Center for the Study of Science and Society at The University of Texas at Dallas and approved initial nominees thereto.

The names of the nominees will be reported for the record after they have been contacted and their acceptances have been received.

9. U. T. El Paso: Approval to Increase the Compulsory Student Services Fee Effective with the Spring Semester 1992 (Catalog Change).--Pursuant to Senate Bill 1000, enacted by the 72nd Texas Legislature, Regular Session, which amended Section 54.503 of the Texas Education Code to authorize an increase in the maximum compulsory student services fee from \$90 per semester or summer session to \$150 per semester or summer session, the Board approved an increase in the Compulsory Student Services Fee at The University of Texas at El Paso from \$7.50 per semester credit hour with a maximum of \$90 per semester to \$8.25 per semester credit hour with a maximum fee of \$99 per semester or summer session to be effective with the Spring Semester 1992.

This fee increase will be used to meet escalating costs for student services at U. T. El Paso and to maintain the quality and availability of essential services for students.

It was ordered that the next appropriate catalog published at U. T. El Paso be amended to conform to this action.

10. U. T. Pan American: Authorization to Establish Bachelor of Science Degrees in Electrical Engineering, Mechanical Engineering, and Manufacturing Engineering and to Create a Department of Engineering within the College of Arts and Sciences; and Authorization to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).-- Upon recommendation of the Academic Affairs Committee, authorization was granted to establish programs leading to a Bachelor of Science in Electrical Engineering, a Bachelor of Science in Mechanical Engineering, and a Bachelor of Science in Manufacturing Engineering and to create a Department of Engineering within the College of Arts and Sciences at The University of Texas - Pan American. Further, the proposal will be submitted to the Texas Higher Education Coordinating Board for review and appropriate action.

Beginning as early as September 1992, U. T. Pan American will offer programs leading to Bachelor of Science degrees in three engineering fields -- Electrical Engineering, Mechanical Engineering, and Manufacturing Engineering -- and the curriculum for these three degrees will build on a common core of seven engineering courses and will share other non-core courses. All three programs will be administered by a newly established Department of Engineering within the College of Arts and Sciences.

Students admitted formally to engineering programs will be required to take specific freshman and sophomore level courses with a minimum grade point average of 2.5, including certain mathematics and science courses and introductory engineering courses. Students will be required to complete a standardized engineering core and specified courses in the particular degree area in addition to the U. T. Pan American general education core requirements. A total of 145-146 semester credit hours will be required for the degrees.

U. T. Pan American projects a first-year enrollment of at least 385 students, with growth to 1600 or more students by the end of ten years.

U. T. Pan American will offer only mechanical and manufacturing engineering programs in the first two years, with sufficient electrical engineering courses to support those programs and facilitate transfer to another university for those students who wish an electrical engineering major. Then, if projected enrollments for the mechanical and manufacturing engineering programs are realized, U. T. Pan American will increase electrical engineering faculty and begin admitting electrical engineering students in the third year of this initiative.

To facilitate initiation of this program, the Texas Legislature appropriated \$1,196,000 for the 1990-1991 biennium and \$1,909,965 for the current biennium. To complement this legislative funding, U. T. Pan American is launching a \$20,000,000 fund raising campaign directed primarily at building and equipping an engineering building. A small initial or start-up building to accommodate special purpose laboratories will be constructed in the physical plant area of the campus with local funds. This building may be used later by the physical plant division or by engineering for sponsored research. U. T. Pan American anticipates attracting engineering research funding as faculty are in place.

When enrollment reaches approximately 1000 students, normal formula funding will cover the essential ongoing cost of operation. This enrollment level is projected for the fifth year of operation but could be reached as early as the third year.

This program is consistent with U. T. Pan American's strategic plan and the U. T. Board of Regents' approved role and scope statement for U. T. Pan American.

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

11. U. T. San Antonio: Approval of an Agreement of Cultural, Educational, and Scientific Cooperation with the National Autonomous University of Mexico, Ciudad Universitaria, Distrito Federal, Mexico, and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute Agreement.--Approval was given to the agreement of cultural, educational, and scientific cooperation set out on Pages 77 - 79 between The University of Texas at San Antonio and the National Autonomous University of Mexico, Ciudad Universitaria, Distrito Federal, Mexico.

Further, the Executive Vice Chancellor for Academic Affairs was authorized, on behalf of the U. T. Board of Regents, to execute this agreement with the understanding that any and all specific agreements arising from the agreement are to be submitted for prior administrative review and subsequent approval as required by the Regents' Rules and Regulations.

**AGREEMENT OF CULTURAL, EDUCATIONAL,
AND SCIENTIFIC COOPERATION**

BETWEEN

**UNIVERSITY OF TEXAS AT SAN ANTONIO
AND
NATIONAL AUTONOMOUS UNIVERSITY OF MEXICO**

In accordance with a mutual desire to promote further cooperation between the United States and Mexico, The University of Texas at San Antonio (UTSA) and the National Autonomous University of Mexico (UNAM), join in the following agreement on cultural, educational and scientific cooperation.

I.

UTSA and UNAM will encourage direct contact and cooperation between their faculty members, departments, institutes and other research centers subject to the provisions of this agreement.

II.

UTSA and UNAM shall cooperate in fields of teaching and research to be agreed upon. Cooperation in other areas may be arranged by mutual agreement. Within the fields of study to be mutually designated, both universities agree to the following general forms of cooperation:

1. Joint research activities and publications.

2. Exchange of invitations to scholars for lectures, symposia and sharing of experience.
3. Exchange of faculty members and students for study and research activities.
4. Exchange of materials published at the respective universities.
5. The promotion of research projects on aspects related to the Mexico-USA border.
6. The promotion of joint academic activities between UNAM and UTSA at the UNAM extension center at San Antonio.

III.

UTSA shall be responsible for costs of UTSA students attending UNAM, and UNAM shall be responsible for costs of UNAM students attending UTSA. To the extent permitted by applicable law, rules, regulations and policies, each university shall attempt to provide tuition and fee scholarships, accommodations and full board to two to four (2-4) visiting students each year. Confirmation of the details of these arrangements shall be made in writing prior to the exchange of students. The universities shall endeavor to exchange equal numbers of students; however, the actual number will be determined by mutual agreement each year. Travel and other personal expenses arising in connection with this exchange shall be the responsibility of the individual students.

IV.

Faculty exchanges shall be strongly encouraged, the financial arrangements for which will be negotiated by the divisions/departments involved, subject to final approval of the university administration in accordance with applicable statutes and regulations.

V.

This agreement will become effective on the date that it has been fully executed by both parties. Term of the agreement shall be three years and will automatically be renewed unless one of the parties expresses in writing its desire to end the agreement three months (90 days) prior to the date it wishes the agreement terminated.

Dr. Jose Sarukhan
Rector
Universidad Nacional
Autonoma de Mexico

Ciudad Universitaria,
Distrito Federal,
Mexico.

Date: _____

Dr. Samuel A. Kirkpatrick
President
The University of Texas
at San Antonio

San Antonio, Texas 78249
U.S.A.

Date: _____

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 80 - 81).--Committee Chairman Ramirez reported that the Health Affairs Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Southwestern Medical Center - Dallas: Appointment of Initial Holders to Endowed Academic Positions Effective Immediately - (a) David L. Garver, M.D., to the Communities Foundation of Texas, Inc. Chair in Brain Science, (b) William Gary Reed, M.D., to the Eva A. Rosenthal Professorship in Internal Medicine, in Honor of Gary Reed, M.D., and (c) Jonathan C. Weissler, M.D., to the James M. Collins Professorship in Biomedical Research.--The Board approved the following initial appointments to endowed academic positions at The University of Texas Southwestern Medical Center at Dallas effective immediately:
 - a. David L. Garver, M.D., Professor of Psychiatry in the Department of Psychiatry, to the Communities Foundation of Texas, Inc. Chair in Brain Science

See Page 163 related to the redesignation of this Chair.
 - b. William Gary Reed, M.D., Professor of Internal Medicine and Director of the Division of General Internal Medicine in the Department of Internal Medicine, to the Eva A. Rosenthal Professorship in Internal Medicine, in Honor of Gary Reed, M.D.

See Page 164 related to the establishment of this Professorship.
 - c. Jonathan C. Weissler, M.D., Associate Professor of Internal Medicine in the Department of Internal Medicine, to the James M. Collins Professorship in Biomedical Research.

See Page 163 related to the establishment of this Professorship.
2. U. T. Southwestern Medical Center - Dallas (U. T. Southwestern Medical School - Dallas): Authorization to Change the Division of Radiation Therapy within the Department of Radiology to the Department of Radiation Oncology and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--Upon recommendation of the Health Affairs Committee, authorization was given to change the Division of Radiation Therapy within the Department of Radiology to the Department of Radiation Oncology in the U. T. Southwestern Medical School - Dallas at The University of Texas Southwestern Medical Center at Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for approval.

This administrative change requires neither additional state funds nor any fundamental change in the function of the Department of Radiation Oncology.

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

3. U. T. Health Science Center - Houston: Kevin P. Lally, M.D., Appointed Initial Holder of the Children's Fund Inc. Professorship in Pediatric Surgery Trauma Effective August 1, 1991.--Approval was granted to appoint Kevin P. Lally, M.D., Associate Professor in the Division of Pediatric Surgery at the U. T. Medical School - Houston of The University of Texas Health Science Center at Houston, as initial holder of the Children's Fund Inc. Professorship in Pediatric Surgery Trauma effective August 1, 1991.

4. U. T. M.D. Anderson Cancer Center: Appointment of Dr. Ralph B. Arlinghaus as Initial Holder of the Hubert L. Stringer Chair in Cancer Research Effective September 1, 1991.--The Board appointed Dr. Ralph B. Arlinghaus, Chairman of the Department of Molecular Pathology and Deputy Division Head for Research in the Division of Pathology at The University of Texas M.D. Anderson Cancer Center, as initial holder of the Hubert L. Stringer Chair in Cancer Research effective September 1, 1991.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 82 - 153).--Committee Chairman Moncrief reported that the Facilities Planning and Construction Committee had met in open session to consider those items on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Facilities Planning and Construction Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington: Approval to Change Name of (a) Campus Drive to South Nedderman Drive and (b) Monroe Street to West Nedderman Drive (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings and upon recommendation of the Academic Affairs and Facilities Planning and Construction Committees, the Board:
 - a. Changed the name of Campus Drive, between Pecan Street and Monroe Street, to South Nedderman Drive on the campus of The University of Texas at Arlington
 - b. Changed the name of Monroe Street, between Border Street and Campus Drive, to West Nedderman Drive on the campus of U. T. Arlington.

On July 30, 1991, the Mayor and City Council of the City of Arlington took official action to change the name of Campus Drive and a portion of Monroe Street within the City of Arlington to South and West Nedderman Drives, respectively, effective November 1, 1991, in honor of Dr. Nedderman's prospective retirement. Since portions of the streets are on campus and owned by the University, Board action was required to extend the same name for these streets on campus.

Committee Chairman Moncrief noted that the naming of these campus streets is a fitting tribute to Dr. Nedderman for the years of distinguished service and dedication which he has given to U. T. Arlington and the City of Arlington.

2. U. T. Arlington - Ransom Hall - Renovation: Authorization for Project; Appointment of Friberg Associates, Inc., Fort Worth, Texas, as Project Engineer to Prepare Final Plans; Approval for Submission of the Project to the Coordinating Board; and Appropriation Therefor.--The Board, upon recommendation of the Facilities Planning and Construction Committee:
 - a. Authorized a project for Renovation of Ransom Hall at The University of Texas at Arlington at an estimated total project cost of \$1,585,934
 - b. Appointed the firm of Friberg Associates, Inc., Fort Worth, Texas, as Project Engineer to prepare final plans and specifications to be submitted to the U. T. Board of Regents for consideration at a future meeting

- c. Authorized submission of the project to the Texas Higher Education Coordinating Board
- d. Appropriated \$115,000 from Permanent University Fund Bond Proceeds for professional fees and administrative expenses through preparation of final plans and specifications.

Ransom Hall, which was built in 1919, is the oldest building on the U. T. Arlington campus and as such adds a sense of institutional continuity and tradition. The building is currently used by Academic Computing Services as a remote computer laboratory and classroom.

This project will involve the complete removal of the existing heating, ventilation, and air-conditioning system and the installation of a new system that will comply with current energy conservation standards. The project also includes asbestos removal, the construction of mechanical equipment rooms within the building, the repair or replacement of damaged floors, walls and ceilings, and the installation of new carpet.

This project is included in the 1991 Capital Improvement Plan and the 1992 Capital Budget. Project funding is \$1,000,000 from Permanent University Fund Bond Proceeds and \$585,934 from Revenue Financing System Bond Proceeds for \$1,585,934 in total project funding. The Permanent University Fund Bonds issued for this project are tax-exempt debt.

- 3. U. T. Arlington - Replacement of Second Street Utility Tunnel (Project No. 301-761): Approval of Final Plans; Authorization to Advertise for Bids and for the Executive Committee to Award Contracts; and Additional Appropriation Therefor; and Approval for Use of Revenue Financing System Parity Debt, Receipt of Certificate and Finding of Fact with Regard to Financial Capacity.--
Upon recommendation of the Facilities Planning and Construction Committee, the Board:
 - a. Approved the final plans and specifications for Replacement of the Second Street Utility Tunnel at The University of Texas at Arlington at an estimated total project cost of \$3,900,000
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and, subject to approval by the Coordinating Board, the Executive Committee to award all contracts associated with this project within the authorized total project cost
 - c. Appropriated an additional \$3,805,000 in Revenue Financing System Bond Proceeds (\$95,000 had been previously appropriated from Unappropriated General Use Fee Balances) for \$3,900,000 in total project funding.

Further, in compliance with Section 5 of the Master Resolution Establishing The University of Texas System Revenue Financing System as approved by the U. T. Board of Regents, and upon delivery of the Certificate of an Authorized Representative as set out on Page 85, the Board resolved that:

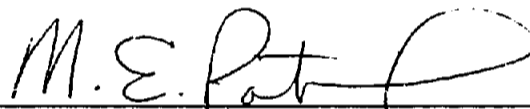
- a. Subject to receipt of the Texas Higher Education Coordinating Board approval of the project, tax-exempt Parity Debt shall be issued to pay a portion of the project's cost
- b. Sufficient funds will be available to meet the financial obligations of The University of Texas System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of \$3,805,000 for the Replacement of Second Street Utility Tunnel (the "Project").

Approval of this item amends the 1991 Capital Improvement Plan and the 1992 Capital Budget. This project will be considered by the Texas Higher Education Coordinating Board on October 24-25, 1991.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the partial cost of the Replacement of Second Street Utility Tunnel at The University of Texas at Arlington, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said resolutions.

EXECUTED this 11th day of October, 1991.



Executive Vice Chancellor
for Asset Management

4. U. T. Austin - Parking Garage No. 2 (Project No. 102-711):
Approval of Preliminary Plans; Authorization to Prepare
Final Plans; Authorization to Advertise for Bids and for
the Executive Committee to Award Contracts; Additional
Appropriation Therefor; and Approval of Use of Revenue
Financing System Parity Debt, Receipt of Certificate,
and Finding of Fact with Regard to Financial Capacity.--
The Facilities Planning and Construction Committee recommended and the Board:

- a. Approved preliminary plans and specifications for Parking Garage No. 2 at The University of Texas at Austin at a total project cost of \$4,733,606
- b. Authorized the Project Architect to prepare final plans and specifications
- c. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and, subject to approval by the Coordinating Board, the Executive Committee to award all contracts associated with this project within the authorized total project cost
- d. Appropriated an additional \$1,613,606 from Auxiliary Enterprise Balances (\$120,000 had been previously appropriated from the same source) and \$3,000,000 from Revenue Financing System Bond Proceeds for \$4,733,606 in total project funding.

Further, in compliance with Section 5 of the Master Resolution Establishing The University of Texas System Revenue Financing System as approved by the U. T. Board of Regents, and upon delivery of the Certificate of an Authorized Representative as set out on Page 88, the Board resolved that:

- a. Subject to the receipt of the Texas Higher Education Coordinating Board approval of the project, tax-exempt Parity Debt shall be issued to pay a portion of the project's cost
- b. Sufficient funds will be available to meet the financial obligations of The University of Texas System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of \$3,000,000 for the construction of Parking Garage No. 2 (the "Project").


Parking Garage No. 2 will be five levels and will accommodate approximately 721 parking spaces. The garage is designed to allow for two additional levels and is intended to be used primarily for faculty and staff parking to ease the shortage on the west side of the campus.

This project is included in the 1991 Capital Improvement Plan and the 1992 Capital Budget and will be considered by the Texas Higher Education Coordinating Board on October 24-25, 1991. A portion of the project's total cost will be funded from the issuance of \$3,000,000 of tax-exempt Revenue Financing System Parity Debt. Revenue bonds will be serviced by parking revenue but are also payable from any other "Pledged Revenue" as defined in the Master Resolution.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of the construction of Parking Garage No. 2 at The University of Texas at Austin, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said resolutions.

EXECUTED this 11th day of October, 1991.



Executive Vice Chancellor
for Asset Management

5. U. T. Pan American - Academic Services Building (Project No. 901-739): Authorization to Change Source of Project Funding and Approval for Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--At the October 1990 meeting, the U. T. Board of Regents approved final plans and authorized the Office of Facilities Planning and Construction to advertise for bids for the Academic Services Building at The University of Texas - Pan American. The Board also authorized funding for the project to be from Higher Education Assistance Fund (HEAF) bond proceeds and/or a combination of HEAF balances, future HEAF appropriations, Building Use Fee (General Use Fee) balances, and existing Ad Valorem Tax balances. It has since been learned that 10-year HEAF bonds cannot be issued until 1995.

Therefore, upon recommendation of the Facilities Planning and Construction Committee and in compliance with Section 5 of the Master Resolution Establishing The University of Texas System Revenue Financing System as approved by the U. T. Board of Regents, and upon delivery of the Certificate of an Authorized Representative as set out on Page 90, the Board:

- a. Approved a change in the source of project funding for the Academic Services Building at U. T. Pan American from Higher Education Assistance Fund (HEAF) bond proceeds and/or a combination of HEAF balances, future HEAF appropriations, Building Use Fee (General Use Fee) balances, and existing Ad Valorem Tax balances in the amount of \$7,100,000 to Revenue Financing System Bond Proceeds in the amount of \$6,100,000 and Higher Education Assistance Fund Balances in the amount of \$1,000,000 for \$7,100,000 in total project funding
- b. Resolved that tax-exempt Parity Debt shall be issued to pay \$6,100,000 of the project's cost
- c. Resolved that sufficient funds will be available to meet the financial obligations of The University of Texas System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- d. Resolved that U. T. Pan American, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of \$6,100,000 for the construction of an Academic Services Building (the "Project").

This project is included in the 1991 Capital Improvement Plan and the 1992 Capital Budget and was approved by the Texas Higher Education Coordinating Board in July 1990.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Executive Vice Chancellor for Asset Management of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the partial cost of the construction of an Academic Services Building at The University of Texas - Pan American, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said resolutions.

EXECUTED this 11th day of October, 1991.



Executive Vice Chancellor
for Asset Management

6. U. T. San Antonio - Surface Parking Lot: Authorization for Project; Approval for Submission of the Project to the Coordinating Board; Authorization to Prepare Final Plans, Advertise for Bids, and Award of Contracts by U. T. San Antonio Administration; and Appropriation Therefor.--In order to alleviate critical parking shortages, control traffic, and increase pedestrian safety and parking security on the campus of The University of Texas at San Antonio, the Board:
- a. Authorized a project for construction of a surface parking lot at U. T. San Antonio at an estimated total project cost of \$450,000
 - b. Authorized submission of the project to the Texas Higher Education Coordinating Board
 - c. Subject to approval of the Coordinating Board, authorized preparation of final plans, advertisement for bids, award of construction contracts and completion of the project by U. T. San Antonio Administration with its own forces or through contract services, as required, in consultation with the Office of Facilities Planning and Construction
 - d. Appropriated \$450,000 from Auxiliary Enterprise Fund Balances for total project funding.

Parking demands on the campus currently exceed the 5,600 vehicle capacity. Temporary parking has been provided on street shoulders and unimproved space. Planning may show it is advantageous to construct several smaller parking lots rather than one larger parking lot to accommodate the estimated 400-450 parking spaces.

Approval of this item includes a change in fund source from that included in the 1991 Capital Improvement Plan. The Capital Improvement Plan and the 1992 Capital Budget will be amended to reflect this change.

7. U. T. San Antonio - Transition Building: Authorization for Project; Approval for Submission of the Project to the Coordinating Board; Authorization to Prepare Final Plans, Advertise for Bids, and Award of Contracts by U. T. San Antonio Administration; and Appropriation Therefor.--The Board, upon recommendation of the Facilities Planning and Construction Committee:
- a. Authorized a project for construction of a transition building at The University of Texas at San Antonio at an estimated total project cost of \$500,000
 - b. Authorized submission of the project to the Texas Higher Education Coordinating Board
 - c. Subject to approval of the Coordinating Board, authorized preparation of final plans, advertisement for bids, award of construction contracts and completion of the project by U. T. San Antonio Administration with its

own forces or through contract services, as required, in consultation with the Office of Facilities Planning and Construction

- d. Appropriated \$500,000 from Permanent University Fund Bond Proceeds for total project funding.

The transition building is to be constructed on West Campus and will initially serve (5-6 years) as a location for several business affairs functions (purchasing, accounts payable, accounting, and an employment office for non-faculty personnel) and some student services now located in different areas of the campus. This will free up space in the library building to make room for expanded areas of University Advancement and Communications. More permanent space can be provided elsewhere on the campus for some of those purposes after completion of Academic Buildings One and Two in 1994-95, and this building will then be used as transitional space for other campus needs and eventually for physical plant storage or a maintenance and repair facility.

This project is included in the 1991 Capital Improvement Plan and the 1992 Capital Budget. The Permanent University Fund Bonds issued for this project are tax-exempt debt.

- 8. U. T. San Antonio - On-Campus Housing, Apartment Complex (Phase I): Authorization to Conclude Negotiations on Proposed Ground Lease with Century Development, a Texas Limited Partnership, Houston, Texas, as Limited Partner and Owner of General Partnership Entity in University Oaks Housing Partnership I, Ltd., a Texas Limited Partnership, Houston, Texas, Lessee and Approval for Chairman of the Board to Execute Ground Lease.--In February 1991, the U. T. Board of Regents approved in concept initiation of Phase I of a project for a student apartment complex on The University of Texas at San Antonio campus and solicitation of proposals from developers to construct and possibly manage the Phase I complex.

The Board, upon recommendation of the Facilities Planning and Construction Committee:

- a. Authorized U. T. San Antonio, the Office of Academic Affairs, and the Office of General Counsel to conclude negotiations with Century Development, a Texas limited partnership, Houston, Texas, on a proposed Ground Lease with University Oaks Housing Partnership I, Ltd., a Texas limited partnership, Houston, Texas, comprised of Century Development as sole limited partner and University Oaks Housing Corp., Houston, Texas, a Texas for-profit corporation, and wholly owned subsidiary of Century Development, as sole general partner for the development of housing facilities on the U. T. San Antonio campus
- b. Authorized the Chairman of the U. T. Board of Regents to execute a Ground Lease in a form substantially similar to the Ground Lease set

out on Pages 94 - 150 upon review and recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for Business Affairs, and the Office of General Counsel.

While the U. T. Board of Regents initially approved a total project concept involving approximately 20 acres and about 120 units, the proposal by Century Development for Phase I will require only approximately 9 acres while plans for future development of the site include a second phase involving a total tract of up to 20 acres.

This project will add about 200 apartments ranging from efficiency style (approximately 500 square feet) to four-bedroom style suite (approximately 900 square feet) units. While the exact configuration has not been determined, the project should accommodate 380 - 448 residents and will include a commons building, laundry facility, and parking lot. The exact number of each style of unit will be established during negotiations with Century.

The working draft of the proposed Ground Lease has a term of 40 years and currently contains the following provisions:

- Partnership is to complete construction in time for occupancy by August 15, 1992
- U. T. Board of Regents receives title to the apartment complex upon completion of the construction, subject to Partnership's leasehold interest
- U. T. Board of Regents receives base rental of \$100.00 per year and a percentage rental of 50% of the net cash flow beginning with operation
- Subject to Texas Higher Education Coordinating Board approval requirements, the U. T. Board of Regents has option to purchase Partnership's leasehold interest
- U. T. Board of Regents has first right of refusal to match bona fide third party offer to purchase leasehold
- Partnership has right of first refusal on Phase II of apartment project if project to be privately developed.

This project is consistent with "Guidelines for Private Development on Campus" of the Texas Higher Education Coordinating Board. The project is included in the Capital Improvement Plan approved at the June 1991 meeting.

9-16-91

GROUND LEASE AGREEMENT

by and between

**THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
FOR THE USE AND BENEFIT OF
THE UNIVERSITY OF TEXAS AT SAN ANTONIO
(LESSOR)**

and

**UNIVERSITY OAKS HOUSING PARTNERSHIP I, LTD.
(LESSEE)**

Dated: As of _____

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GROUND LEASE AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This Ground Lease Agreement is made and entered into as of the ____ day of October, 1991, by and between THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, FOR THE USE AND BENEFIT OF THE UNIVERSITY OF TEXAS AT SAN ANTONIO, acting by and through its authorized officers, and UNIVERSITY OAKS HOUSING PARTNERSHIP I, LTD., a Texas limited partnership.

WITNESSETH

WHEREAS, Section 65.39 of the Texas Education Code provides that the Board of Regents of The University of Texas System (the "LESSOR") has the sole and exclusive management and control of the lands set aside and appropriated to, or acquired by, The University of Texas System;

WHEREAS, in order to assist in the development of campus housing facilities and related facilities for students, faculty, and staff at The University of Texas at San Antonio ("The University" or "UTSA"), the LESSOR deems it is best for the interest of The University of Texas System, that a portion of the campus at The University be leased to University Oaks Housing Partnership I, LTD. (the "LESSEE") for the purpose of developing, constructing, operating, and leasing such campus housing facilities;

WHEREAS, the LESSOR and the LESSEE have determined to enter into this Ground Lease Agreement (the "Lease") whereby the LESSOR will lease a tract of approximately 9.0 acres of land on the campus to the LESSEE, and the LESSEE will develop, construct, operate, and lease improvements on such land for use by The University's students, faculty, and staff and only such other persons as LESSOR may agree, subject to the terms herein stated;

NOW, THEREFORE, in consideration of the mutual covenants, conditions and agreements which follow, the parties hereby agree:

ARTICLE ONE
LEASE OF PROPERTY - TERMS OF LEASE

Section 1.01. LEASE OF PREMISES. LESSOR, in consideration of the rents, covenants, agreements and conditions herein set forth, which LESSEE hereby agrees shall be paid, kept and performed by LESSEE, does hereby let, demise and rent

exclusively unto LESSEE, and LESSEE does hereby rent and lease from LESSOR, the real property (the "Land") more particularly described in EXHIBIT "A" attached hereto, being incorporated into this Lease and made a part hereof together with the Facilities, all improvements, alterations, additions, and attached fixtures located on the Land. LESSEE, by execution of this Lease, accepts the leasehold estate herein demised subject to all easements and other matters referred to in EXHIBIT "B".

Section 1.02. HABENDUM. TO HAVE AND TO HOLD the Premises, together with all and singular the rights, privileges, and appurtenances thereto attaching or anywise belonging, exclusively unto LESSEE, its successors and assigns, for the term set forth in Section 1.03, subject to termination as herein provided, and subject to the covenants, agreements, terms, provisions, and limitations herein set forth.

Section 1.03. TERM. Unless sooner terminated as herein provided, this Lease shall continue and remain in full force and effect for a term commencing on the date hereof and ending at midnight on August 31, 2032 (the "Term").

ARTICLE TWO DEFINITIONS

Section 2.01. DEFINITIONS. In addition to such other defined terms as may be set forth in this Lease, as used in this Lease, the following terms have the following respective meanings.

"Academic Year" - the period commencing on September 1 of each calendar year during the Term and ending on August 31 of the following calendar year.

"Affiliate" - with respect to a designated Person, any other Person that, directly or indirectly, controls, is controlled by, or is under common control with such designated Person. For purposes of this definition, the term "control" (including the correlative meanings of the terms "controlled by" and "under common control with"), as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of such Person, whether through ownership of voting securities or by contract or otherwise.

"Annual Expenses" - with respect to any Academic Year of LESSEE, all amounts (a) paid by LESSEE during such Academic Year for operating expenses related to the Premises (including real estate taxes and sales, personal property, rental, occupancy, use, gross receipts, and excise taxes), (b) paid by LESSEE during such Academic Year for capital expenditures for the Premises, (c) paid by LESSEE during such Academic Year for principal, interest, and make-whole amounts to any Permitted Mortgagee, (d) advanced by (or indemnification payments owed to) any Permitted Mortgagee pursuant to the Permitted Mortgage and related to the Facilities, and (e) for Reserve Amounts.

"Applicable Laws" - all present and future statutes, regulations, ordinances, resolutions and orders of any Governmental Authority.

"Award" - any payment or other compensation received or receivable as a consequence of a Taking from or on behalf of any Governmental Authority or any other Person vested with the power of eminent domain.

"Business Day" - a day excluding Saturday, Sunday and any Holiday.

"Century Development" - a Texas limited partnership.

"Century Property Management Company" - a Texas for profit corporation.

"Commencement of Construction" - the date on which excavation or foundation work is begun for the Facilities.

"Coordinating Board" - The Texas Higher Education Coordinating Board.

"Date of Opening" - the date the Facilities are opened for occupancy or use.

"Event of Default" - any matter identified as an event of default under Section 13.01.

"Expiration Date" - the expiration date of this Lease.

"Facilities" - all improvements constructed on the Land, including the complex of 13 buildings which include approximately 200 apartment units and related facilities for use by students, faculty, and staff of the The University and others as permitted under this Lease or approved by UTSA as participants in UTSA sponsored activities.

"Facility Equipment" - all personal property including but not limited to furniture, furnishings, equipment, machinery, owned by LESSEE and used in connection with the operation of the Premises.

"Force Majeure" - an (a) act of God, landslide, lightning, earthquake, hurricane, tornado, blizzard and other adverse and inclement weather, fire, explosion, flood, act of a public enemy, war, blockade, insurrection, riot, or civil disturbance; (b) labor dispute, strike, work slowdown, or work stoppage; (c) order or judgment of any Governmental Authority, if not the result of willful or negligent action of LESSEE; (d) adoption of or change in any Applicable Law after the date of execution of this Lease; or (e) any other similar cause of similar event beyond the reasonable control of LESSEE.

"Foreclosure" - a foreclosure of a Permitted Mortgage or a conveyance in lieu of foreclosure of a Permitted Mortgage.

"Governmental Authority" - any and all jurisdictions, entities, courts, boards, agencies, commissions, offices, divisions, subdivisions, departments, bodies or authorities of any nature whatsoever of any governmental unit (federal, state, county, district, municipality, city or otherwise) whether now or hereafter in existence.

"Gross Rents" - with respect to any Academic Year, all Occupancy Rents actually received by LESSEE during such Academic Year on account of or as a result of the occupancy of the Facilities by occupants. Gross Rents shall not include any amounts received from occupants to cover any sale, use, transaction privilege, excise or gross receipts tax imposed by any Governmental Authority for or attributable to the Occupancy Rents paid by such occupants.

"Gross Revenues" - with respect to any Academic Year, all gross receipts of LESSEE from the Premises, computed on a cash basis and otherwise in a manner reasonably acceptable to LESSOR, including all rent, laundry and vending machine revenues, and interest earned on tenants' security deposits.

"Holiday" - any day which shall be a legal holiday in the State of Texas or a day on which banking institutions in the State of Texas are authorized or are required by law to close.

"Incipient Default" - any default by LESSEE hereunder which, after the giving of notice or the passage of time (or both), would result in an Event of Default.

"Land" - the tract of approximately 9.0 acres located on the campus of The University of Texas at San Antonio and near the intersection of Edward Ximenes Boulevard and UTSA Boulevard, more particularly described in Exhibit "A".

"LESSOR Representative" - one or more of the persons designated and authorized in writing from time to time by LESSOR to represent LESSOR in exercising LESSOR'S rights and performing LESSOR'S obligations under this Lease; the initial LESSOR Representatives shall be the President of The University of Texas at San Antonio and the Vice President for Business Affairs of The University of Texas at San Antonio.

"LESSOR'S Interest" - the fee simple title to the Land and the Facilities located on the Land and LESSOR'S interest under this Lease.

"Management Agreement" - the Management Agreement relating to the operation and management of the Premises.

"Net Cash Flow" - with respect to any Academic Year, the excess, if any, of Gross Revenues over Annual Expenses for such Academic Year.

"New Occupants" - any On-Campus Occupants who have not been On-Campus Occupants for previous Academic Years or who have not complied with the filing deadline for receiving "returning student priority benefits" in housing assignments by LESSOR.

"Occupancy Rents" - all rents and fees paid by occupants to occupy housing at the Facilities pursuant to the payment provisions of any Campus Housing Contracts or other leases.

"On-Campus Occupants" - those students, faculty, and staff associated with UTSA that occupy or have previously occupied any housing on the campus at UTSA.

"Permitted Assignee" - (a) any Permitted Mortgagee, any purchaser at a Foreclosure, any Affiliate of a Permitted Mortgagee, or any other Person selected by a Permitted Mortgagee (or its successors or assigns) subsequent to a Foreclosure of a Permitted Mortgage; (b) any Affiliate of LESSEE; or (c) Century Development (or any Affiliate of Century Development).

"Person" - an individual; a trust, an estate; a Governmental Authority; or a partnership, joint venture, corporation, company, firm or any other entity whatsoever.

"Plans and Specifications" - the plans and specifications for the construction of the Facilities described in EXHIBIT "C" as attached hereto, as such plans and specifications may be amended from time to time as permitted in Section 7.01.

"Premises" - the Land and the Facilities.

"Rent" - Base Rent and Percentage Rent.

"Reserve Amounts" - the amounts set forth in the Annual Budgets for debt service, operating, and capital reserves.

"Taking" or "Taken" - the actual or constructive condemnation, or the actual or constructive acquisition by condemnation, eminent domain or similar proceeding by or at the direction of any Governmental Authority or other Person with the power of eminent domain.

"UTSA" and/or "University" - The University of Texas at San Antonio, a component institution of The University of Texas System, located in San Antonio, Bexar County, Texas being an "institution of higher education" as defined in Section 61.003, Texas Education Code.

ARTICLE THREE
RENT

Section 3.01. **BASE RENT.** Commencing with the date hereof and continuing throughout the Term, LESSEE shall pay to LESSOR, as annual base rent ("Base Rent"), \$100.00 for each year or a portion thereof. The Base Rent shall be due and payable in advance, with the first such payment of Base Rent being due upon execution of the ground Lease and each subsequent payment due no later than forty-five (45) days after the close of each Academic Year.

Section 3.02. **PERCENTAGE RENT.** Subject to the limitations set forth in Section 8.03G, LESSEE shall pay to LESSOR, for the Academic Year commencing in 1992 and each Academic Year thereafter during the Term, percentage rent in an amount equal to the product of (a) 50% and (b) Net Cash Flow ("Percentage Rent"). Percentage Rent shall be paid to LESSOR no later than forty-five (45) days after the close of each Academic Year. If there is no Percentage Rent due for any such Academic Year, any net loss shall be borne solely by LESSEE and shall not be carried forward in determining Percentage Rent for the next Academic Year.

ARTICLE FOUR
USE OF PREMISES

Section 4.01. **PURPOSE AND USE OF LEASE.** LESSEE enters into this Lease for the purpose of developing and constructing and maintaining the Facilities in accordance with the Plans and Specifications and except as otherwise provided herein, the Premises are to be used for no other purpose.

LESSEE shall have the right to use the Premises solely for the development and operation of the Facilities and ancillary uses including uses now or hereafter customarily related to or connected with the ownership and operation of a multi-family residential development. LESSOR and LESSEE covenant and agree that except as set forth in Section 15.02 below, the Facilities shall be for the exclusive use and benefit of the students, faculty, staff and guests of The University and such other persons as The University and LESSEE shall mutually agree. LESSEE shall comply with all ordinances, laws and regulations of all Governmental Authorities applicable to and as are required for LESSEE'S use and operation of the Premises as such ordinances, laws, and regulations are enforced by any Governmental Authority having jurisdiction with respect to the Premises.

Section 4.02. **BENEFIT OF THE UNIVERSITY.** Subject to Sections 15.02 and 15.06, LESSEE shall lease and hold the Premises for the support, maintenance or benefit of The University and the Premises shall be leased for a purpose related to the performance of the duties and functions of UTSA and shall not be leased to provide private residential housing to members of the public other than students, faculty and staff,

approved for residency by the Office of the Vice President for Student Affairs.

Section 4.03. **CAMPUS DATA NETWORK SYSTEMS.** LESSOR agrees to provide access to campus data network systems at no charge to LESSEE. LESSEE shall provide, maintain and repair computer cabling from each bedroom and livingroom to an environmentally controlled space designatd as a switching room. Cabling from the central switching room to the campus data network will be provided by the LESSOR. LESSEE agrees to provide LESSOR with 24 hour access to the switching room.

ARTICLE FIVE
ACCEPTANCE AND CONDITION OF PREMISES

Section 5.01. **LESSEE'S INSPECTION.** LESSEE has had full opportunity to inspect and examine the Land. Except for the express representations and warranties of LESSOR set forth in this Lease, LESSEE'S execution of this Lease shall be conclusive evidence of LESSEE'S acceptance of the Land in an "AS IS" condition and, subject to LESSOR'S obligations set forth herein, LESSEE hereby accepts the Land in its present condition.

Section 5.02. **NO REPRESENTATIONS.** LESSEE agrees that no representations respecting the condition of the Premises and no promises to alter or improve the Premises have been made by LESSOR or its agents to LESSEE unless the same are contained herein or made a part hereof by specific reference.

ARTICLE SIX
ACCESS

Section 6.01. **ACCESS.** LESSEE shall permit LESSOR'S agents, representatives, or employees to enter on the Premises at reasonable times for the purposes of review and inspection as provided in this Lease, to determine whether LESSEE is in compliance with the terms of this Lease, or for other reasonable purposes. Subject to the rights of LESSOR and UTSA to observe and enforce their applicable rules and policies, the LESSOR and UTSA, their agents, representatives, and employees shall not disturb construction on the Land and shall use best efforts to not disturb occupants of subleased space.

ARTICLE SEVEN
CONSTRUCTION BY LESSEE

Section 7.01. **LESSEE TO PAY COSTS.** LESSEE will develop and construct the Facilities on the Land at its own cost and expense. LESSOR shall have no financial obligation or other obligation of any kind under this Lease except as specifically set forth

herein.

- A. LESSEE shall furnish all supervision, tools, implements, machinery, labor materials, and accessories such as are necessary and proper for the construction of the Facilities, shall pay all permit and license fees, and shall construct, build, and complete the Facilities in a good, substantial and worker-like manner all in accordance with this Lease, the Plans and Specifications, and all documents executed pursuant hereto and thereto.

- B. LESSEE shall have the right to and shall provide for the location, construction, erection, maintenance, and removal of improvements, in any lawful manner, upon or in the Premises for the purpose of carrying out any of the activities provided for herein. LESSEE shall have sole control of the selection of construction professionals, construction design, means and methods and the final decision regarding operation of the Facilities, subject to the approval of LESSOR Representative which approval shall not be unreasonably withheld. The Plans and Specifications for the construction of the Facilities and for landscaping shall be prepared by architects and engineers registered in the State of Texas. The Plans and Specifications shall require the written approval of the LESSOR Representative before any construction or installation may be undertaken, which approval shall not be unreasonably withheld. All construction, alteration, renovation or additions to the Premises undertaken by the LESSEE shall be in conformance with all applicable codes, rules and regulations, including amendments thereto. LESSEE shall have the right to contest any such codes for reasonable grounds by ordinary and proper procedures.

- C. The LESSOR Representative shall review changes in work and materials in the Plans and Specifications and note in writing any required changes or corrections thereto within five (5) business days after receipt of the Plans and Specifications. Minor changes in work or materials, not affecting the general character of the Facilities may be made in the Plans and Specifications at any time without the approval of LESSOR Representative, but a copy of the altered Plans and Specifications shall promptly be furnished to the LESSOR Representative.

- D. After completion of the Facilities, at least 120 days prior to undertaking any material structural alteration, renovation, or remodeling of the Facilities during the Term, LESSEE shall submit plans for such renovation or remodeling to the LESSOR for approval, which approval shall not be unreasonably withheld. LESSOR shall either approve or disapprove any such alteration within sixty (60) days after receipt of such plans from LESSEE. If LESSOR fails to respond within such sixty (60) day period, it

shall be deemed that LESSOR approves any such alteration, renovation, or remodeling.

- E. Subject to Force Majeure, LESSEE covenants that LESSEE shall substantially complete construction of the Facilities on or before August 15, 1992 with all units ready for occupancy. Subject to the provisions of Section 7.01.F below, if any unit in the Facilities is not ready and available for occupancy on August 15, 1992 (regardless of delays caused by Force Majeure), and such unit has been committed by LESSEE to an Assigned Occupant, LESSEE shall, at its sole cost and expense, provide each such Assigned Occupant comparable living quarters until such Assigned Occupant's unit is available for occupancy. In the event comparable living quarters are not available in a location the same or similar distance from UTSA campus, LESSEE at its sole cost and expense shall furnish daily transportation, at reasonable times and intervals, for such Assigned Occupant to and from the UTSA campus. If LESSEE provides such Assigned Occupants with comparable living quarters pursuant to this section, then LESSEE'S failure to complete the construction of the Facilities by August 15, 1992 shall not be an Event of Default.
- F. The obligations of LESSEE to provide substitute living quarters for Assigned Occupants pursuant to Section 7.01.E above is conditioned upon each such Assigned Occupant's Campus Housing Contract remaining in full force and effect and such Assigned Occupant paying Occupancy Rents under its Campus Housing Contract to LESSEE during the time LESSEE is providing such Assigned Occupant with substitute living quarters.
- G. Prior to Commencement of Construction, (1) LESSEE shall deliver to the LESSOR Representative a copy of the signed contract ("Construction Contract") between the LESSEE and the general contractor for the construction of the Facilities, and (2) LESSEE shall provide payment and performance bonds in an amount equal to the contract price set forth in the Construction Contract.
- H. The LESSOR Representative shall have the right to review and approve all payment bonds and performance bonds and shall note in writing any required changes or corrections within five (5) business days after receipt thereof.
- I. LESSEE shall, upon written request of LESSOR, make, in such detail as may reasonably be required, and forward to LESSOR, reports in writing as to the actual progress of the construction of the Facilities. During such period, the construction work shall be subject to inspection by the LESSOR's Representative and by authorized personnel of UTSA in order to

verify reports of construction, determine compliance with safety, fire and building codes and determine compliance with approved construction plans or such other inspections as may be necessary in the reasonable opinion of the LESSOR Representative.

- J. LESSEE shall be responsible for obtaining all licenses, patents, registered or copyrighted machines, materials, methods, or processes necessary to construct and operate the Facilities and LESSEE will hold LESSOR free and harmless from any and all claims arising out of LESSEE'S failure to obtain such licenses, patents, registered or copyrighted machines, materials, methods, or processes.
- K. Before erecting or placing any sign upon the Premises, LESSEE shall submit the design and specifications of such sign to LESSOR for approval, which approval shall not be withheld if such signage is consistent with UTSA's current signage policy or such signage was included in the Plans and Specifications.

Section 7.02. CONSTRUCTION STANDARDS AND LIENS. Any and all improvements to the Premises shall be constructed, and any and all alteration, renovation, repair, refurbishment, or other work with regard thereto shall be performed, in accordance with the following "Construction Standards" (herein so referenced):

- A. All such construction or work shall be performed in a good and worker-like manner in accordance with good industry practice for the type of work in question;
- B. All such construction or work shall be done in compliance with all applicable building codes, ordinances, and other laws or regulations of Governmental Authorities having jurisdiction (the "Building Regulations");
- C. No such construction or work shall be commenced until there shall have been first obtained all licenses, permits, and authorizations, if any, required by all Governmental Authorities having jurisdiction;
- D. LESSEE shall have obtained and shall maintain in force and effect the insurance coverage required in Section 12.03 with respect to the type of construction or work in question; and
- E. After commencement, such construction or work shall be prosecuted with due diligence to its completion.
- F. LESSEE covenants and agrees that any improvements it constructs on the Premises will be constructed and the Premise will be graded in such a way as to drain properly and not be subject to foreseeable flooding. LESSEE shall not be responsible for constructing any storm drainage improvements beyond those necessary to insure that water on the Premises drains properly, nor shall LESSEE be responsible for payment of any costs or

expenses with respect to improving streets or sidewalks adjoining the Premises.

Section 7.03. **PERSONAL PROPERTY.** All Facility Equipment shall be and remain the property of LESSEE, but shall remain subject to the terms of this Lease. Notwithstanding anything contained to the contrary in this Lease, LESSOR shall not have and does hereby expressly waive and relinquish any lien or claim for lien, whether granted by constitution, statute, rule of law, or contract relating to the Facility Equipment, whether located in or about the Premises, or otherwise, for any purpose whatsoever, including securing the payment of Rent.

ARTICLE EIGHT ENCUMBRANCES

Section 8.01. **MORTGAGE OF LEASEHOLD.** At any time and from time to time, LESSEE may mortgage, grant a lien upon, and a security interest in (and assign as collateral) LESSEE'S leasehold estate in the Premises and LESSEE'S other rights hereunder to a Permitted Mortgagee (as defined in this Section 8.01) without the prior consent of LESSOR by the creation or execution of contractual liens, deeds of trusts, mortgages, assignments or similar instruments (individually, a "Permitted Mortgage" and collectively, the "Permitted Mortgages"); provided (a) the debt secured by any Permitted Mortgage is used for the operation, maintenance, repair, construction, or replacement of the Premises, (b) the debt secured by any Permitted Mortgage is used for the payment of sums due under this Lease or otherwise owed to LESSOR, or (c) the debt secured by any Permitted Mortgage is used by the LESSEE to repay the debt secured by prior Permitted Mortgage and other amounts advanced by (or indemnification payments owed to) the Permitted Mortgagee pursuant to the Permitted Mortgage and related to the Facilities. LESSOR recognizes and agrees that the mortgages or deeds of trust described in EXHIBIT "D" shall constitute Permitted Mortgages and the beneficiaries under such Permitted Mortgages (and such beneficiaries' successors and assigns) shall constitute Permitted Mortgagees. Except as specified in the preceding sentence, the term "Permitted Mortgagee" as used in this Lease shall be limited to a savings bank, savings and loan association, commercial bank, trust company, credit union, insurance company, college, university, state or local governmental authority, real estate investment trust, pension fund, and other lenders of substance that are actively engaged in commercial real estate financing, and that have assets in excess of one hundred million dollars (\$100,000,000) at the time the Permitted Mortgage loan is made, and subsidiaries of any of the foregoing that are regularly engaged in the business of making real estate mortgage loans.

Section 8.02. **PERMITTED MORTGAGE PROVISIONS.** Every Permitted Mortgagee to whom LESSEE shall grant a mortgage, pledge, lien or other encumbrance upon LESSEE's leasehold estate hereunder must expressly agree in the loan documents that (i) such mortgage, pledge, lien or other encumbrance upon LESSEE's leasehold estate

hereunder is second, inferior and subordinate to the rights of LESSOR in and to the Land and the Facilities pursuant to the terms of this Lease, (ii) all Notices to LESSEE of any default or defaults of LESSEE under such loan documents or in connection with such loan, including Notice of acceleration of the maturity of the indebtedness, will be given to LESSOR in the manner provided in Section 22.03 hereof as well as to LESSEE (to the extent such Notices are required under the provisions of the applicable Permitted Mortgage) and shall not be effective until so given to LESSOR, (iii) such Permitted Mortgagee will accept a cure of any default under such loan documents by LESSOR, except that LESSOR shall not be required to cure any such default and shall not have a cure period which extends beyond the applicable cure period, if any, as provided to LESSEE in such loan documents, and (iv) all payments so made and all things so done or performed by LESSOR shall be as effective to prevent an acceleration of the maturity of the indebtedness, the foreclosure of any liens securing payment thereof or the exercise of any other remedies by such Permitted Mortgagee upon default by LESSEE thereunder as the same would have been if paid, done or performed by LESSEE instead of by LESSOR. LESSOR shall not be or become liable to any such Permitted Mortgagee as a result of the right and option to cure any such default or defaults by LESSEE.

Section 8.03. MORTGAGEE PROTECTIVE PROVISIONS. LESSOR hereby agrees to the following for the benefit of any holder or beneficiary (individually, a "Permitted Mortgagee" and collectively, the "Permitted Mortgagees") of a Permitted Mortgage:

- A. LESSOR shall not terminate this Lease (or LESSEE'S rights hereunder) for any Event of Default without first advising such Permitted Mortgagee, in writing, of such Event of Default and permitting such Permitted Mortgagee to cure such Event of Default on behalf of LESSEE within thirty (30) days after LESSOR has given Notice to such Permitted Mortgagee. Further, if any Event of Default is not cured within such thirty (30) day period, or any extension thereof agreed to by the LESSOR, and (1) the Permitted Mortgagee shall have given the Notices necessary to commence Foreclosure of the liens of its Permitted Mortgage prior to the expiration of such thirty (30) day period (unless the Permitted Mortgagee is enjoined or stayed from giving such Notices or exercising its right of Foreclosure, in which event such thirty (30) day period shall be extended by the period of such injunction or stay, but such thirty (30) day period shall not be extended for a period of time in excess of 270 days), and (2) the purchaser at the Foreclosure fully cures any Event of Default reasonably susceptible of being cured by the purchaser at the Foreclosure within thirty (30) days after such Foreclosure, then LESSOR will not terminate this Lease (or LESSEE'S rights hereunder) because of the occurrence of such Event of Default provided that Foreclosure is diligently prosecuted. LESSOR shall accept amounts paid or actions taken by or on behalf of any Permitted Mortgagee to cure any Event of Default. Nothing under this Section 8.03.A shall be construed to obligate a Permitted Mortgagee to either cure any

Event of Default or Foreclose the liens and security interests under its Permitted Mortgage as a consequence of an Event of Default or Incipient Default is subsequently cured. If the Permitted Mortgagee or the purchaser at Foreclosure cures all defaults reasonable susceptible of being cured by such Permitted Mortgagee or purchaser, then all other defaults shall no longer be deemed to be defaults hereunder.

- B. Those Events of Default, which by their very nature, may not be cured by the Permitted Mortgagee (as, for example, the bankruptcy of LESSEE) shall not constitute grounds of enforcement of rights, recourse, or remedies hereunder by LESSOR including termination of the Lease, if a Permitted Mortgagee either before or after a Foreclosure of its Permitted Mortgage (1) makes all payments and performs all obligations hereunder capable of being performed by the Permitted Mortgagee and (2) thereafter continues to comply with those provisions of this Lease with which, by their very nature, the Permitted Mortgagee may comply.
- C. If a Permitted Mortgagee enforces the rights and remedies pursuant to the terms of its Permitted Mortgage (including Foreclosure of any liens or security interests encumbering the estates and rights of LESSEE under this Lease) such enforcement shall not constitute an Event of Default or an Incipient Default by LESSEE hereunder.
- D. In the event a Permitted Mortgagee should Foreclose the liens and security interests of its Permitted Mortgage and should, as a result of such Foreclosure, succeed to the rights of LESSEE hereunder, then such Permitted Mortgagee shall be subject to all rights and benefits of this Lease; provided, however, that (1) such Permitted Mortgagee shall not be liable for any act or omission of LESSEE; (2) such Permitted Mortgagee shall not be subject to any offsets or defenses which LESSOR has or might have against LESSEE; (3) such Permitted Mortgagee shall not be bound by any amendment, modification, alteration, approval, consent, surrender, or waiver under the terms of this Lease made without the prior written consent of such Permitted Mortgagee; (4) such Permitted Mortgagee's obligations to pay Percentage Rent shall be limited as set forth in Section 8.02.G; and (5) upon the written request of such Permitted Mortgagee, LESSOR shall reaffirm, in writing, the validity of this Lease, and that this Lease is in full force and effect. LESSOR acknowledges and agrees for itself and its successors and assigns that this Lease does not constitute a waiver by any such Permitted Mortgagee of any of its rights under any Permitted Mortgage or in any way release LESSEE from its obligations to comply with the terms, provisions, conditions, representations, warranties, agreements or clauses of such Permitted Mortgage or any other such security interest.

- E. LESSOR will not agree to a modification, alteration, amendment or the release or surrender of this Lease without the prior written consent of any Permitted Mortgagees.
- F. In the event of the termination of this Lease prior to the Expiration Date, except by a Taking pursuant to Article Seventeen hereof, LESSOR will serve upon any Permitted Mortgagees written Notice that this Lease has been terminated together with a statement of any and all sums which would have at that time been due under the Lease but for such termination and of all other Events of Default or Incipient Defaults, if any, under this Lease then known to LESSOR whereupon the Permitted Mortgagee holding the most senior Permitted Mortgage shall have the option to obtain a new lease of the Premises by giving Notice to LESSOR to such effect within thirty (30) days after receipt by such Permitted Mortgagee of Notice of such termination, which new lease shall be (1) effective as of the date of termination of this Lease, (2) for the remainder of the Term, and (3) at the same Rent and upon all of the agreements, terms, covenants and conditions hereof (subject, however, to any limitations on Percentage Rent applicable pursuant to Section 8.03.G). Upon the execution of such new lease, the LESSEE named therein shall pay any and all sums which at the time of the execution thereof would be due under this Lease but for such termination and shall pay all unpaid expenses, including reasonable attorney's fees, court costs and disbursements incurred by LESSOR in connection with the Event of Default and such termination, the recovery of possession of the Premises and the preparation, execution and delivery of such new lease.
- G. The Permitted Mortgagee or any other Person succeeding to the interests of LESSEE hereunder through a Foreclosure shall be not obligated to pay Percentage Rent from the effective date of Foreclosure until the Permitted Mortgagee has received Net Cash Flow and proceeds from the sale and financing of the Facilities in an amount equal to the Total Imputed Debt. As referenced herein, the "Total Imputed Debt" shall mean the total unpaid principal, interest, reasonable foreclosure costs and reasonable legal fees secured by the Permitted Mortgage, and other amounts which are related to the Facilities advanced by (or indemnification payments owed to) any Permitted Mortgagee pursuant to the Permitted Mortgage, together with interest accrued on such amounts (until such amounts are repaid out of Net Cash Flow or sale and finance proceeds) at the per annum rate of interest on the indebtedness secured by the Permitted Mortgage. If the Permitted Mortgagee or other Person succeeds to the interests of LESSEE hereunder through a Foreclosure following a "Foreclosure and LESSOR Default Occurrence", the Total Imputed Debt shall include any make-whole amounts secured by the Permitted Mortgage. For purposes of this Lease, the term

"Foreclosure and LESSOR Default Occurrences" shall mean a Foreclosure resulting from one or more defaults under the Permitted Mortgage so long as at least one such default shall have occurred by reason of a default by the LESSOR hereunder which shall not have been waived in writing by such Permitted Mortgagee.

- H. All Notices required to be given hereunder by LESSOR to LESSEE shall also be given concurrently to each Permitted Mortgagee, at the address designated in writing to LESSOR.

ARTICLE NINE MAINTENANCE AND REPAIR

Section 9.01. UTILITIES. LESSEE shall pay or cause to be paid any and all charges, including any connection fees, for water, heat, gas, electricity, sewers and any and all other utilities used on the Premises throughout the Term.

Section 9.02. USE OF AND REPAIRS TO PREMISES. Throughout the Term of the Lease, LESSEE shall keep all improvements hereafter situated upon the Land, and all appurtenances thereunto belonging, in good and safe condition and in reasonable repair, and LESSEE shall conform to and comply with all applicable ordinances, regulations and laws of all Governmental Authorities.

Section 9.03. CONDITION OF PREMISES. LESSEE shall maintain the Premises in a safe, clean, neat and sanitary condition, attractive in appearance, normal wear and tear, damage caused by casualty or condemnation, temporary destruction for renovation and Force Majeure excepted. LESSOR shall have the right, but not the obligation, at reasonable times to make inspections of the Premises.

Section 9.04. INSPECTION. LESSOR, at LESSOR'S option, shall cause to be made an annual inspection of the Premises to ascertain the quality of maintenance being observed by LESSEE, and shall notify LESSEE in writing of all items of repair or replacement deemed reasonably necessary to maintain the Premises in a presentable and operating condition, with a copy of such Notice being provided to each Permitted Mortgagee entitled to Notices under this Lease. Upon receipt of said Notice, LESSEE shall undertake reasonable corrective action within ninety (90) days.

Section 9.05. ALTERATIONS. LESSEE shall have the right, from time to time, to make additions, alterations and changes (hereinafter sometimes referred to collectively as "Alterations") in or to the Facilities (which term shall, when used in this Section 9.05, include any replacement or substitution therefor), provided that no Event of Default (as defined herein) shall exist by LESSEE in the performance of any of LESSEE's covenants

or agreements in this Lease, subject, however, to the following:

- A. No structural Alterations of the original facade or exterior of the Facilities shall be commenced except after receipt of LESSOR's written approval of such Alterations within thirty (30) days, which approval LESSOR agrees not to unreasonably withhold;
- B. No Alterations shall be made which would impair the structural soundness of the Facilities;
- C. No Alterations shall be undertaken until LESSEE shall have procured and paid for, so far as the same may be required from time to time, all applicable permits, licenses and authorizations of all Governmental Authorities having jurisdiction and all required consents of Permitted Mortgagees having a first priority interest in or lien upon the Premises. LESSOR shall join, but without expense to LESSOR, in the application for such applicable permits, licenses or authorizations whenever such action is necessary and is requested by LESSEE;
- D. Any Alterations shall be commenced and completed within a reasonable time (subject to Force Majeure) and in a good and worker-like manner and in substantial compliance with all applicable permits, licenses and authorizations and buildings laws and with all other applicable laws, ordinances, orders, rules, regulations and requirements of Governmental Authorities;
- E. If any involuntary liens for labor and materials supplied or claimed to have been supplied to the Premises shall be filed, LESSEE shall pay or bond around such liens to LESSOR's reasonable satisfaction or otherwise obtain the release or discharge thereof at least sixty (60) days prior to the time that any interest in the Land and/or Facilities may become subject to forced sale with respect to such involuntary liens;
- F. LESSEE shall obtain workers' compensation insurance covering all persons employed in connection with the development and construction with respect to whom death or bodily injury claims could be asserted against LESSOR, LESSEE or the Premises; and
- G. LESSEE will upon demand by LESSOR give reasonably satisfactory proof or assurances to LESSOR that the funds required to pay for the Alterations are or will be available to LESSEE for such purpose.

Section 9.06. DAMAGE TO IMPROVEMENTS. Subject to the other terms of this Lease, in the event any portion of the Facilities is damaged by fire or otherwise,

regardless of the extent of such damage or destruction, within ninety (90) days following the date of such damage or destruction, LESSEE shall commence the work of repair, reconstruction or replacement of the damaged or destroyed building or improvement and prosecute the same with reasonable diligence to completion, so that the Facilities shall, at the sole expense of LESSEE, be restored to substantially the same size, function and value as the Facilities existing prior to the damage; provided, however, that if any available insurance proceeds (after payment of all or any portion of such insurance proceeds towards amounts owed under any Permitted Mortgage) are insufficient, in the reasonable judgment of LESSEE, to permit restoration in accordance with the terms of this Lease, or if payment of the insurance proceeds is contested or not settled promptly for any reason, then the LESSOR shall grant an appropriate extension of the time for commencing repairs to allow LESSEE to obtain reasonable replacement financing or to obtain the insurance proceeds. If LESSEE shall in good faith be unable to (i) obtain reasonable replacement financing to restore the Facilities to substantially the same size, function, and value as the Facilities existing prior to the damage or (ii) obtain the insurance proceeds, then LESSEE may terminate this Lease by written Notice to LESSOR. In the event of termination under this Section 9.06, this Lease shall terminate ten (10) days after the date of such Notice with the same force and effect as if such date were the date herein fixed for the expiration of the Term, and the Rent shall be apportioned and paid to the time of such termination. All or any portion of the insurance proceeds payable as a consequence of a casualty affecting the Facilities shall be deposited with and disbursed by the Permitted Mortgagee (holding the Permitted Mortgage with the most senior lien priority) in accordance with such Permitted Mortgagee's loan documents or contractual agreements with LESSEE pending the completion of repairs to the Facilities.

ARTICLE TEN CERTAIN LIENS PROHIBITED

Section 10.01. **NO MECHANICS' LIENS.** Except as permitted in Section 10.02 hereof, LESSEE shall not suffer or permit any mechanics' liens or materialmen's liens to be enforced against LESSOR'S Interest nor against LESSEE'S leasehold interest in the Premises by reason of a failure to pay for any work, labor, services, or materials supplied or claimed to have been supplied to LESSEE or to anyone holding the Premises or any part thereof through or under LESSEE.

Section 10.02. **RELEASE OF RECORDED LIENS.** If any such mechanics' liens or materialmen's liens shall be recorded against the Premises, LESSEE shall cause the same to be released of record or, in the alternative, if LESSEE in good faith desires to contest the same, LESSEE shall be privileged to do so, but in such case LESSEE hereby agrees to indemnify and save LESSOR harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure on said mechanics' lien, cause the same to be discharged and released prior to the execution of such judgment. In the event LESSOR reasonably should consider LESSOR'S interest endangered by any such liens and should so notify LESSEE and each Permitted Mortgagee and LESSEE or any

Permitted Mortgagee should file to provide adequate security for the payment of such liens, in the form of a surety bond, cash deposit or cash equivalent, or indemnity agreement reasonably satisfactory to LESSOR within thirty (30) days after such Notice, then LESSOR, at LESSOR'S sole discretion, may discharge such liens and recover from LESSEE immediately as net rent under this Lease the amounts to be paid, with interest thereon from the date paid by LESSOR until repaid by LESSEE at the rate of ten percent (10%) per annum.

Section 10.03. MEMORANDUM RECITALS. The Memorandum of Lease to be filed pursuant to Section 22.05 of this Lease shall state that any third party entering into a contract with LESSEE for improvements to be located on the Land, or any other party under said third party, shall be on notice that LESSOR shall have no liability for satisfaction of any claims of any nature in any way arising out of a contract with LESSEE.

ARTICLE ELEVEN OPERATION AND MANAGEMENT OF FACILITIES

Section 11.01. MANAGEMENT AGREEMENTS. LESSEE shall be responsible for the operation of the Premises. LESSEE shall enter into a Management Agreement, satisfactory to the LESSOR Representative, with a manager ("Manager") approved by the LESSOR Representative. LESSOR hereby approves Century Property Management Company as the initial Manager of the Premises for a period of one year commencing on the Date of Opening. Each such Management Agreement shall provide for the operation of the Premises without cost or expense to LESSOR in conformity with all applicable laws and rules, regulations and policies of LESSOR applicable to all housing projects on UTSA's campus. The Management Agreement shall permit the Manager to contract with LESSOR and LESSEE to provide certain services. LESSEE shall cause the Management Agreement to provide that (a) the Manager shall introduce all on-site managers to the Vice President for Business Affairs and the Vice President for Student Affairs at UTSA prior to hiring any such on-site manager, (b) LESSEE can require the Manager to reassign any of Manager's employees if LESSOR requests, provided that such requests shall be on the grounds that such employee is not performing the job, and (c) the Manager shall consider University students when hiring staff at the Premises.

Section 11.02. ADVISORY COMMITTEE.

A. The Annual Budget, the selection of the Manager, and the policies and operating procedures governing the Assigned Occupants, shall be subject to review and approval by the Advisory Committee composed of representatives of LESSOR and LESSEE (the "Committee"). The Committee shall at all times consist of six (6) members, three (3) of whom shall be selected by LESSOR Representative, and three (3) of whom shall be selected by LESSEE. LESSOR and LESSEE may appoint an alternate for each member appointed by it to the Committee who shall have all of the powers of the

Committee member in the event of an absence or inability to serve. LESSOR and LESSEE shall notify the other in writing with respect to the name and address of the persons appointed by each to the Committee. All such Committee appointments shall be at the pleasure of the LESSOR or LESSEE making such appointment. The Committee members of each LESSOR and LESSEE shall be entitled to deal with the Committee members appointed by the other until receipt of written Notice of the appointment of a substitute or successor for such duly appointed Committee member. The Vice President for Business Affairs and the Vice President for Student Affairs shall either serve on the Committee or designate members to represent them on the Committee.

B. The Committee shall meet at least once each quarter at the Premises or at such other location as may be approved by the Committee, (unless such meeting shall be waived by all members thereof) or upon the call of any three (3) members upon five (5) business days' Notice to all members by telephone or telecopy. An agenda for each meeting shall be prepared in advance by the LESSOR and LESSEE in consultation with each other, and each member of the Committee shall receive a copy of the agenda prior to the scheduled time of the meeting. Four (4) members of the Committee shall constitute a quorum provided at least two members present were appointed by LESSEE and two members present were appointed by LESSOR. A concurring vote of at least four (4) members of the Committee shall govern all of its actions. The Committee may act without a meeting if the action is approved in advance in writing by all of the members of the Committee. The Committee shall cause written minutes to be prepared of all actions taken by the Committee and shall deliver a copy thereof to each member of the Committee within seven (7) days following the close of each meeting.

C. After completion of construction of the Facilities, LESSEE shall operate, and cause the Manager to operate, the Facilities under annual budgets (individually, an "Annual Budget" and collectively, the "Annual Budgets") which shall be prepared and submitted by LESSEE to the Committee for approval not later than sixty (60) days prior to the commencement of each Academic Year. Each Annual Budget shall set forth (1) the estimated receipts (including Occupancy Rents) and expenditures (capital, operating, and other) of the Facilities (including the estimated insurance premiums for the Premises), (2) the Reserve Amounts for the period covered thereby, and (3) the Occupancy Rents to be charged for the units in the Facilities (subject to the limitations in Section 15.04.A hereof). Each Annual Budget shall be in such detail as the Committee may reasonably require. If at any time during an Academic Year the amounts set forth in an Annual Budget require adjustment, LESSEE shall submit a revised annual budget to the Committee for approval in accordance with this Section 11.02.

D. If the Committee is unable to reach a decision regarding an Annual Budget (including the Occupancy Rents), then LESSEE shall resolve the deadlock by casting the deciding vote. If the Committee is unable to reach a decision regarding the approval of the Person proposed by LESSEE to be Manager (provided the members appointed by LESSOR have acted reasonable and in good faith), then LESSEE shall propose at least

two other responsible Persons to manage the Premises. The Committee shall select one such Person to manage the Premises. If the Committee is unable to agree on the policies and procedures governing the Assigned Occupants, then LESSOR shall resolve the deadlock by casting the deciding vote.

E. The Committee may, by resolution, delegate its powers, but not its responsibilities, to employees of either LESSOR or LESSEE or to any other Person.

Section 11.03. BOOKS AND RECORDS. The LESSEE shall keep, or cause to be kept, accurate, full and complete books and accounts showing exclusively its assets and liabilities, operations, transactions and the financial condition of the Facilities. All financial statements shall be accurate in all material respects, shall present fairly the financial position and results of the Facilities' operations and shall be prepared in accordance with generally accepted accounting principles consistently applied. The books, accounts and records of the Facilities shall be maintained at the principal office of LESSEE.

Section 11.04. PROMOTION OF FACILITIES. UTSA hereby agrees that it shall cooperate with LESSEE to promote the use of the Facilities by students, faculty, and staff of UTSA and shall take no action which could have an unreasonably adverse impact upon the use or operation of the Facilities. LESSEE agrees it will not use the name, logo, or seal of LESSOR or UTSA without prior written permission of LESSOR Representative.

Section 11.05. AUDITS. LESSOR may, at its option and at its own expense, and during customary business hours, conduct internal audits of the books, records and accounts of the Facilities. Audits may be made on either a continuous or a periodic basis or both, and may be conducted by employees of LESSOR, or by independent auditors retained by the LESSOR, but any and all such audits shall be conducted without materially or unreasonably or unnecessarily interrupting or interfering with the normal conduct of business affairs by the LESSEE. LESSOR covenants with LESSEE to keep the results of any such audits confidential, except as required by rules and regulations of LESSOR and by applicable law. If any audit by LESSOR pursuant to this Section 11.05 reveals that LESSEE underpaid RENT in an amount greater than five (5) percent, LESSEE shall pay the cost of such audit.

ARTICLE TWELVE INSURANCE AND INDEMNIFICATION

Section 12.01. INDEMNITY. LESSEE shall indemnify and hold harmless LESSOR and its successors (the "Indemnified Parties"), from all claims, suits, actions and proceedings ("Claims") whatsoever which may be brought or instituted on account of or growing out of any and all injuries or damages, including death, to persons or property relating to the use or occupancy of the Premises (including without limitation the construction, maintenance or operation of the Facilities), and all losses, costs, penalties, damages and expenses, including but not limited to attorneys' fees and other costs of

defending against, investigating and settling the Claims; provided, however, that the indemnity shall not apply with respect to injuries or damages caused by the negligence or willful misconduct of LESSOR, its agents or employees. LESSEE shall assume on behalf of the Indemnified Parties and conduct with reasonable diligence and in good faith the defense of all Claims against the Indemnified Parties, whether or not LESSEE is joined therein; provided, however, without relieving LESSEE of its obligations under this Lease, the Indemnified Parties, at their election may defend or participate in the defense of any or all of the Claims with attorneys and representatives of their own choosing. Maintenance of the insurance referred to in this Lease shall not affect LESSEE's obligations under this Section 12.01 and the limits of such insurance shall not constitute a limit on LESSEE's liability under this Section 12.01 provided, however, that LESSEE shall be relieved of its aforesaid obligation of indemnity to the extent and only to the extent of the amount actually recovered from one or more of the insurance carriers of LESSEE (or recovered in respect of any insurance carried by LESSOR) and either (i) paid to LESSOR or (ii) paid for LESSOR's benefit in reduction of any liability, penalty, damage, expense or charge imposed upon LESSOR in connection with the Claims. LESSOR covenants and agrees that LESSEE shall have the right to contest the validity of any and all such Claims of any kind or character and by whomsoever claimed, in the name of LESSEE or LESSOR, as LESSEE may deem appropriate, provided that the expenses thereof shall be paid by LESSEE, or LESSEE shall cause the same to be paid by its insurer.

Section 12.02. LESSOR NOT LIABLE. LESSOR shall not be liable for any damage to either persons or property sustained by LESSEE or other persons and caused by any act or omission of any occupant of the Facility, except to the extent provided by the Texas Tort Claims Act.

Section 12.03. INSURANCE. LESSEE shall at all appropriate times maintain, with respect to the Premises, for the duration of this Lease and any extensions thereof, insurance issued by a company or companies qualified, permitted or admitted to do business in the State of Texas in the following types and amounts:

TYPE:	AMOUNT:
(1) Comprehensive General (Public) Liability - to include coverage for the following where the exposure exists:	Combined Single Limit for Bodily Injury and Property Damage in an amount acceptable to the LESSOR Representative, not to exceed \$5,000,000.
(A) Premises/Operations	
(B) Independent Contractors	
(C) Products/Completed Operations	
(D) Personal Injury	

- (E) Contractual Liability
 - (F) Explosion, collapse and underground property damage
- (2) Property Insurance - for physical damage to the property of the LESSEE including improvements and betterments to the Land. Coverage being for 100% of the replacement cost of the Facilities
 - (3) Builder's Risk Insurance - all risk of physical loss during term of the construction contract and until the Facilities are substantially completed. Coverage being for 100% of the replacement cost of the Facilities.
 - (4) Rental Abatement Insurance, if obtainable by LESSEE at reasonable cost.

Section 12.04. LESSOR ADDITIONAL INSURED. LESSEE agrees that with respect to the above required insurance, LESSOR shall:

- A. Be named on the Property Insurance policy and Comprehensive General Liability policy as additional insured/or an insured, as its interest may appear (as long as being so named as a named insured on the Comprehensive General Liability Policy does not jeopardize the validity of such policy or cause an unreasonable increase in the cost thereof). LESSOR agrees to promptly endorse insurance checks or otherwise release insurance proceeds, provided no Event of Default is continuing hereunder. LESSOR shall, regardless of the existence of an Event of Default, promptly endorse insurance checks or otherwise release insurance proceeds payable to (or to be held by) a Permitted Mortgagee in accordance with its Permitted Mortgage.
- B. Be provided with sixty (60) days' advance Notice, in writing, of cancellation or material change in coverage. If any insurance policy provides that the insurer will give such Notice, then LESSEE shall not be obligated to do so with respect to such policy.
- C. Be provided with Certificates of Insurance evidencing the above required insurance at the time the policies are required to be obtained and thereafter with certificates evidencing renewals or replacements of said policies of insurance at least thirty (30) days prior to the expiration or cancellation of any such policies.

Section 12.05. **ADDITIONAL INSURANCE.** LESSOR shall review LESSEE'S required insurance as stated herein at the time of renewal of the said policies or at the time of a material change, and LESSOR reserves the right to require reasonable additional limits or coverages. LESSEE agrees to comply with any such reasonable request by LESSOR.

Section 12.06. **BLANKET POLICIES.** If any blanket general insurance policy of LESSEE complies with the requirements of this Article Twelve, such insurance shall fulfill the requirements set forth herein. At the request of LESSEE, any Permitted Mortgagee may be named as an insured or an additional insured on any policies as its interest may appear.

Section 12.07. **CONTRIBUTORY ACTS.** Whenever in this Lease any party is obligated to pay an amount or perform an act because of its negligence or willful misconduct (or that of its agents, employees, contractors, guests, or invitees), such obligations shall be mitigated to the extent of any contributory negligence or willful misconduct of the other party (or that of its agents, employees, contractors, guests, or invitees), and in any disputes damages shall be apportioned based on the relative amounts of such negligence or willful misconduct.

ARTICLE THIRTEEN TERMINATION, DEFAULT AND REMEDIES

Section 13.01. **EVENTS OF DEFAULT.** Any one of the following events shall be deemed to be an "Event of Default" by LESSEE under this Lease.

- A. LESSEE shall fail to pay any sum required to be paid under the terms and provisions of this Lease and such failure shall not be cured within thirty (30) days after receipt of written Notice from LESSOR of such failure.
- B. The Taking by execution of LESSEE'S leasehold estate for the benefit of any Person other than a Permitted Mortgagee or purchaser at a Foreclosure.
- C. LESSEE shall fail to perform any other covenant or agreement, other than the payment of money, to be performed by LESSEE under the terms and provisions of this Lease and such failure shall not be cured within ~~ninety (99)~~ thirty (30) days after receipt of written Notice from LESSOR of such failure; provided that if, during such ~~ninety (99)~~ thirty (30) day period, LESSEE takes action to cure such failure but is unable, by reason of the nature of the work involved, to cure such failure within such period and continues such work thereafter diligently and without unnecessary delays, such failure shall not constitute an Event of Default hereunder until the

expiration of a period of time as may be reasonably necessary to cure such failure.

- D. The filing of a petition for relief against LESSEE, as debtor, under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state law of similar import, or the entry of a decree or order by a court having jurisdiction over the Premises appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for LESSEE or any substantial part of the properties of LESSEE or ordering the winding up or liquidation of the affairs of LESSEE, and the continuance of any such decree or order unstayed and in effect for a period of [~~ninety (90)~~] thirty (30) consecutive days.
- E. The commencement by LESSEE of a voluntary case under the Federal Bankruptcy Code, as now or hereafter constituted, or any other applicable federal or state law of similar import, or the consent or acquiescence by LESSEE to the commencement of a case under such Code or law or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator, or other similar official of or for LESSEE or any substantial part of the properties of the LESSEE.

Section 13.02. COMPLETION BY PERMITTED MORTGAGEE. Except for delays caused by Force Majeure, if (a) the Commencement of Construction does not occur on or before December 31, 1991, or (b) after the Commencement of Construction and prior to the substantial completion of the Facilities, LESSEE abandons (with no intent to continue) construction of the Facilities for a period of forty-five (45) consecutive days, then LESSOR may by written Notice to the Permitted Mortgagee require said Permitted Mortgagee to affirm by written Notices to LESSOR within thirty (30) days of receipt by said Permitted Mortgagee of such Notice from LESSOR that such Permitted Mortgagee intends to use its best efforts to pursue applicable remedies which will result in its causing the completion of the Facilities. If said Permitted Mortgagee fails to give such affirmation or thereafter by written Notice abandons such intent, the failure of the Commencement of Construction to occur or other ceasing of such construction for said forty-five (45) day period (as applicable) shall be an "Event of Default" by LESSEE hereunder and LESSOR may exercise its remedies under this Lease on account thereof. This provision is in addition to the payment and performance bond requirements set forth in this Lease.

Section 13.03. RIGHT TO EXPEL. The Permitted Mortgagee shall have the right to expel LESSEE upon the occurrence of an Event of Default and assume the position of LESSEE with all rights and duties under this Lease.

Section 13.04. LESSOR'S RIGHTS UPON DEFAULT. Subject to the rights of the Permitted Mortgagees under Article Eight, upon the occurrence and during the continuance of an Event of Default, LESSOR may at its option declare this Lease and all

rights and interests created by it to be terminated, may seek any and all damages occasioned by the Event of Default, or may seek any other remedies available at law or in equity.

Section 13.05. **RIGHT TO RELET PREMISES.** Upon LESSOR'S exercise of the election to terminate this Lease, LESSOR may take possession of the Premises and relet the same for the remainder of the Term upon such terms as LESSOR is able to obtain for the account of LESSEE, who shall make good any deficiency as such occurs. Any termination of this Lease as herein provided shall not relieve LESSEE from the payment of any sum or sums that shall then be due and payable to LESSOR hereunder, or any claim for damages then or theretofore accruing against LESSEE hereunder, and any such termination shall not prevent LESSOR from enforcing the payment of any such sum or sums or from claiming damages by any remedy provided for by law, or from recovering damages from LESSEE for any Event of Default.

ARTICLE FOURTEEN IMPROVEMENTS

Section 14.01. **TITLE TO IMPROVEMENTS.** Upon the completion of construction of the Facilities, title to the Facilities (all buildings erected and all alterations, additions, attached fixtures or improvements made upon the Land) shall vest completely in LESSOR, subject to LESSEE'S rights hereinafter set forth:

- A. Subject to subparagraph B hereof, all furniture, fixtures, equipment and furnishings permanently affixed to the Premises (other than Facility Equipment) shall become the property of LESSOR upon termination of this Lease whether such termination be by expiration of the Term or an earlier termination under any provision of this Lease.
- B. LESSEE shall have the right, within forty-five (45) days after the termination of this Lease, whether such termination be by the expiration of the Term or an earlier termination under any provision of this Lease, to remove from the Premises all of the Facility Equipment; provided that, if any of LESSEE'S property remains in or on the Premises after forty-five (45) days following termination of this Lease and no renewal agreement has been executed, the property that remains shall be deemed to have become the property of LESSOR, and may be disposed of as LESSOR sees fit without liability to account to LESSEE for the proceeds of any sale or other disposition thereof.

Section 14.02. **LESSOR'S OPTION TO REQUIRE DEMOLITION.** LESSOR shall have the option to require LESSEE to demolish the Facilities and clear the Land of all rubble and debris at LESSEE'S sole cost and expense upon the occurrence of either (i)

the "Abandonment" (as hereinafter defined) of the Facilities by LESSEE, or (ii) the expiration of the Term of this Lease as it may be amended or modified from time to time, provided that:

- A. LESSOR has not exercised its option to purchase the LESSEE'S interest in the Premises after approval by the Texas Higher Education Coordinating Board, its successor in function, and any other agency of the State of Texas from which approval is then required, as provided in Section 14.03; or
- B. LESSEE has not donated its interest in the Premises to LESSOR (subject to LESSOR'S acceptance, after approval by the Texas Higher Education Coordinating Board, its successor in function and any other agency of the State of Texas from which approval is then required); or
- C. LESSEE and LESSOR have not entered into an extension or a renewal of this Lease or an amendment to this Lease upon terms and conditions acceptable to LESSEE and LESSOR which gives LESSEE the right to lease the Premises for a period of time beyond the expiration of the Term.

As used herein, the term "Abandonment" shall mean (i) LESSEE's voluntary surrender of the Premises to LESSOR prior to the expiration of the Term, or any extension or renewal thereof, which surrender, if there shall then be a Permitted Mortgage, shall have been consented to by each such Permitted Mortgagee, including any termination of this Lease by LESSEE pursuant to Section 9.06 hereof or, (ii) LESSEE's failure to operate the Facilities as provided under Section 4.01 for a period of at least two (2) consecutive years measured from and after the last date permitted hereby for Commencement of Construction and disregarding periods of Force Majeure; provided, however, that LESSEE shall not be deemed to have Abandoned the Facilities for the purposes of this Section 14.02, if LESSOR shall have given each Permitted Mortgagee Notice of such Abandonment and thereafter if any holder of a Permitted Mortgagee exercises its rights under Section 8.03 hereof to succeed to LESSEE's leasehold interest created hereunder or to enter into a new lease of the Premises as if such Abandonment constituted an Event of Default hereunder.

LESSOR shall give LESSEE and each Permitted Mortgagee written Notice of its exercise of such option no later than sixty (60) days after the occurrence of either (i) the Abandonment of the Facilities by the LESSEE as hereinabove defined, or (ii) the expiration date of the Term if none of the events specified in Subparagraphs (a), (b) and (c) have occurred. If LESSOR fails to give such Notice within such time period, LESSOR shall be deemed to have waived its option to have LESSEE demolish the Facilities. Upon receipt of such Notice, provided it is given within the time periods required hereby, LESSEE shall demolish the Facilities and clear the Land within ninety (90) days.

The obligation of LESSEE to demolish the Facilities as set forth in this Section

14.02 constitutes a covenant running with the Premises and shall terminate with respect to LESSEE, upon the sale, transfer, or assignment of this Lease or any conveyance of the LESSEE'S interest in the Facilities. The obligation to demolish the Facilities shall be binding upon any transferee, assignee or purchaser of this Lease and Lessee's interest in the Premises.

Section 14.03. LESSOR'S OPTION TO PURCHASE FACILITIES. LESSOR shall have the right to purchase LESSEE'S leasehold estate in the Premises at any time for an amount ("Purchase Price") equal to the lesser of (a) the fair market value (as determined in accordance with the procedures set forth in Section 17.05 below) of LESSEE'S leasehold estate determined as though this Lease was in effect, but in no event less than the aggregate of all the debt and other amounts relating to the Premises secured by Permitted Mortgages or (b) the sum of (1) the aggregate of all outstanding debt secured by Permitted Mortgages and other amounts advanced by (or indemnification payments owed to) the Permitted Mortgagee pursuant to the Permitted Mortgage and related to the Facilities, (2) the sum of all monetary contributions of LESSEE for the operation, maintenance, repair, construction or replacement of the Facilities, and (3) the present value of the net distributable cash flow from the Facilities for the portion of the Term remaining after the closing of the purchase (the present value of the net distributable cash flow has been calculated based upon EXHIBIT "E" attached hereto and is represented in the far right hand column called "Purchase Price of Subsequent Cash Flows"). If LESSOR exercises its purchase option under this Section 14.03 subsequent to a Foreclosure of a Permitted Mortgage, the Total Imputed Debt shall be treated as "debt secured by a Permitted Mortgage" for purposes of calculating the Purchase Price. By way of illustration and without limitation, if LESSOR exercises its right to purchase in year seven (7) and if (1) the aggregate of all outstanding debt secured by Permitted Mortgages is equal to \$5,938,115, and (2) the sum of all monetary contributions of LESSEE is equal to \$200,000, then the Purchase Price pursuant to this Section 14.03 above shall be \$8,717,243 (i.e., the sum of \$5,938,115; \$200,000 and \$2,579,128). If LESSOR exercises its purchase option (x) within the first ten (10) years of the Term, then LESSOR must either assume all liabilities of LESSEE with respect to the debt secured by Permitted Mortgages at the time of the purchase or (to the extent the Permitted Mortgagee permits a prepayment of the debt) pay any amounts due on prepayment required to be paid in order to repay such debt or (y) after the first ten (10) years of the Term, then LESSOR must pay any amounts due on prepayment required to be paid to prepay any debt secured by Permitted Mortgages. If a Permitted Mortgage does not survive such purchase by LESSOR pursuant to the previous sentence, the purchase proceeds shall be applied first to discharge the Permitted Mortgage at the closing of the purchase, and the balance of the purchase price shall be paid to LESSEE. If such purchase by LESSOR is subject to approval of the Coordinating Board, such approval shall be obtained prior to the exercise by LESSOR of its purchase option. Such option to purchase must be exercised by LESSOR by providing written Notice to the LESSEE of LESSOR'S intent to exercise such option not later than seventy-five (75) days prior to the closing date of such purchase. At the closing of such purchase LESSOR shall pay the Purchase Price in cash

to LESSEE (except any portion of the Purchase Price to be applied to discharge a Permitted Mortgage), and LESSEE and LESSOR shall execute, acknowledge and deliver to the other and to the Permitted Mortgagees such instruments of conveyance, bills of sale, assumption and release agreements and other instruments as are reasonably necessary to accomplish the purchase pursuant to this Section 14.03 (and as are reasonably satisfactory in form and substance to the Permitted Mortgagees). This Lease shall terminate upon the closing such purchase, on the condition that such termination does not adversely affect the rights of any Permitted Mortgagee under any Permitted Mortgage that survives LESSOR'S purchase in accordance with this Section 14.03. LESSOR may not exercise its rights under this Section 14.03 after LESSOR has received Notice from LESSEE of an Offer under Section 14.04, for so long as such Offer remains outstanding. Notwithstanding the preceding sentence, LESSOR'S right to exercise its option to purchase under this Section 14.03 shall be revived upon the expiration of one hundred and eighty (180) days after LESSOR'S receipt of Notice of an Offer under Section 14.04, unless one of the following events has occurred: (i) LESSOR has exercised its right of first refusal and elected to consummate a purchase on the terms described in the Offer, in accordance with Section 14.04; or (ii) LESSEE has consummated an Offer to purchase with a third party Offeror, in accordance with Section 14.04.

Section 14.04. LESSOR'S RIGHT OF FIRST REFUSAL.

A. In the event LESSEE shall receive from a third party (the "Offeror") other than a Permitted Assignee a bona fide offer (the "Offer") in writing, signed by the Offeror, and accompanied by a certified or bank cashier's check for ten percent (10%) of the purchase price offered as a deposit with respect thereto, for the purchase for cash, or partly in cash and partly by assumption of or subject to existing indebtedness, on a date not less than one hundred twenty (120) days, nor more than one hundred eighty (180) days, from the date of the Offer, of the LESSEE'S entire interest in the Premises and the Leasehold estate created hereby, then LESSEE shall, if it wishes to accept the Offer, promptly forward a true copy thereof to the LESSOR.

B. LESSOR shall have ninety (90) days after receipt of the Offer within which to notify LESSEE in writing whether LESSOR will recommend the consummation of the purchase described in the Offer to the Coordinating Board. If LESSOR informs LESSEE that LESSOR will not recommend the consummation of such purchase to the Coordinating Board, LESSEE may (subject to the limitations set forth in Section 18.01 hereof) consummate such purchase on the same terms and conditions as set forth in the Offer. If LESSOR informs LESSEE that LESSOR will recommend the consummation of the purchase described in the Offer to the Coordinating Board, then LESSOR shall submit the Offer to the the Coordinating Board at the Coordinating Board's next scheduled meeting. If the Coordinating Board disapproves LESSOR'S consummation of the purchase described in the Offer, then LESSEE may (subject to the limitations set forth in Section 18.01 hereof) consummate such purchase on the same terms and conditions as set forth in the Offer. If the Coordinating Board approves the consummation of the

purchase described in the Offer and if LESSOR does not elect to consummate the purchase described in the Offer by delivering written Notice thereof to LESSEE no later than ten (10) days after the Coordinating Board approval is granted, then LESSEE may (subject to the limitations set forth in Section 18.01 hereof), no later than one hundred-eighty (180) days after LESSOR'S receipt of the Offer, consummate such purchase on the same terms and conditions as set forth in the Offer. If LESSOR elects not to consummate a purchase as set forth in an Offer, then LESSOR shall (at LESSEE'S request) execute and acknowledge a certificate indicating the waiver of the right of first refusal with respect to such Offer. If LESSOR timely exercises its right of first refusal by delivering the written exercise notice in accordance with this Section 14.04, then LESSOR shall, within one hundred twenty-five (125) days after the exercise of its right of first refusal, purchase LESSEE'S interest in the Premises and the leasehold estate created hereby in accordance with the terms and conditions set forth in the Offer. If LESSOR fails to consummate the Offer after exercising its right of first refusal, LESSEE shall be entitled to a payment from LESSOR in an amount equal to _____ percent (____%) of the purchase price set forth in the Offer as liquidated damages and shall be entitled to sell LESSEE'S interest in the Premises and assign its leasehold estate free of LESSOR'S right of first refusal. Notwithstanding the foregoing provision of this Section 14.04, LESSEE shall be entitled to convey its interests in the Premises and assign its rights under this Lease to any Permitted Assignee free of LESSOR'S right of first refusal and without complying with the requirements of this Section 14.04; however, such Permitted Assignee shall be bound by the requirements of this Section 14.04 and Section 18.01 regarding an assignment of its rights under this Lease except for a sale to another Permitted Assignee.

Section 14.05. LESSEE'S RIGHT OF FIRST REFUSAL FOR ADDITIONAL APARTMENT IMPROVEMENTS. For and in consideration of the sum of Ten and No/100 Dollars (\$10.00) cash in hand paid by the LESSEE to LESSOR, the receipt and sufficiency of which are hereby acknowledged by LESSOR, LESSOR, for itself, its successors and assigns, does hereby covenant and agree with LESSEE, that if at any time and from time to time, prior to the expiration or earlier termination of this Lease, and any renewal or extension hereof, LESSOR desires to have one or more additional apartments constructed, at the cost and expense of any lessee, on a tract of real property leased out of the campus of The University, which shall be subject to a lease with such lessee similar to this Lease, LESSOR shall be obligated to give LESSEE written Notice of such desire specifying therein the "Date of Opening of Additional Apartments" (which, in no event shall be less than eighteen (18) months after the date of such Notice) required by LESSOR for such additional apartment or apartments. Such Notice shall offer to LESSEE the right to obtain a lease from LESSOR of the additional premises on which such additional apartment or apartments are to be constructed by LESSEE, which lease shall be substantially on the same terms and subject to substantially the same provisions and requirements as this Lease, except as otherwise stated in this Section 14.05, with LESSOR or agreeing to discharge the same obligations with respect to each such additional apartment as LESSOR is obligated to provide hereunder or under any management agreement then in effect with respect to the original Facilities. Following receipt of such written Notice from

LESSOR, LESSEE shall have one hundred eighty (180) days within which to accept LESSOR'S offer by giving written Notice of its acceptance of such offer within such period of time. Thereafter, the lease of the additional premises shall be closed as promptly as practicable after acceptance by LESSEE. If LESSEE fails to timely exercise such right to lease the additional premises within the time period stated, LESSOR shall then have the right, at any time within one hundred eighty (180) days after expiration of such one hundred eighty (180) day period to lease such additional premises to any other person; however, any leasing of such additional premises after such date, as well as the leasing of any additional premises for apartment use while this Lease remains in effect must again be offered to LESSEE upon said terms and provisions as above stated. Any lease of an additional premises pursuant to this Section 14.05 (i) shall be for a term of years commencing no less than twelve (12) months (unless a shorter period shall have been agreed to by LESSEE) prior to the Date of Opening of Additional Apartments constructed thereon and expiring on the date which is thirty-five (35) calendar years from the Date of Opening of Additional Apartments; and (ii) the provisions of Section 14.03 shall be revised to provide LESSOR the right to purchase the facilities constructed on such additional premises for a purchase price determined in accordance with Section 14.03.

Section 14.06. APARTMENTS CONSTRUCTED BY LESSOR. Nothing in Section 14.05 or elsewhere in this Lease shall be construed to restrict or prohibit LESSOR from undertaking at any time at its own cost and expense the construction of one or more apartments on the campus of the The University of Texas at San Antonio.

ARTICLE FIFTEEN OCCUPANCY AGREEMENT

Section 15.01. SEMESTER DEFINED. As referenced herein, (a) "Fall Semester" shall mean the fall academic term of UTSA commencing during the month of August and ending during the month of December, (b) "Spring Semester" shall mean the spring academic term of UTSA commencing during the month of January and ending during the month of May, and (c) "Summer Session" shall mean the summer academic term of UTSA commencing during the month of June and ending during the month of August. The Fall Semester, Spring Semester, and Summer Session are collectively referred to herein as "Semesters" and individually referred to herein as a "Semester".

Section 15.02. ASSIGNMENT OF ON-CAMPUS OCCUPANTS TO THE FACILITIES. LESSEE hereby agrees that it will restrict the leasing of apartment units in the Facility in accordance with the conditions set forth in this Section 15.02 (herein referred to as the "Leasing Restrictions"). LESSEE shall restrict the leasing of apartment units to the students, faculty, staff and guests of The University and any other person who is employed by or attends classes at the The University (herein individually referred to as a "University Related Person" and collectively as "University Related Persons"). From and after the date which is twelve (12) calendar months from the Date of Opening (previously

defined), should the Occupancy Level (hereinafter defined) of the Facilities fall below eighty-five percent (85%) for two (2) consecutive calendar months, the Leasing Restrictions set forth in the preceding sentence pertaining to the leasing of apartment units shall be lifted and LESSEE shall be allowed to lease apartment units in the Facilities to such other or additional persons as LESSEE shall elect, provided that the term of any lease entered into with a tenant who is not a University Related Person shall not extend beyond the date which is five (5) days prior to the date upon which the Fall Semester begins. As used herein, the term "Occupancy Level" shall refer to the aggregate number of units in the Facilities (expressed as a percentage of the total number of apartment units in the Facilities) which are subject to written lease agreements under which the occupants are currently paying rent in accordance with the terms of such lease agreements. The Leasing Restrictions above in this Section 15.02 shall also be lifted after the Foreclosure of a Permitted Mortgage and the expiration of twelve (12) calendar months from the Date of Opening should the Occupancy Level of the Facilities fall below eighty-five percent (85%) for two (2) consecutive months the Permitted Mortgagee or the lessee under a new lease shall be allowed to lease apartment units in the Facility to such other or additional persons as the Permitted Mortgagee or the lessee under a new lease may elect. During any period of time that the Leasing Restrictions are not applicable to the Facilities, Permitted Mortgagee, LESSEE or a lessee under a new lease, as applicable, shall (i) use its good faith reasonable efforts to lease apartment units in the Facilities to University Related Persons and shall give preference to any University Related Person desiring to lease an apartment unit in the Facilities over any other person so long as the The University Related Person meets all of the other criteria then in effect applicable to all prospective occupants of the Facilities and (ii) use its good faith reasonable efforts, to the extent practical, to segregate those occupants of the Facilities who are University Related Persons from those occupants in the Facilities who are not University Related Persons. The preceding sentence shall not require LESSEE, Permitted Mortgagee, or a lessee under a new lease, to require that any existing occupants within the Facilities vacate a particular apartment unit and relocate to another apartment unit. Should the Occupancy Level of the Facilities ever rise to or exceed eighty-five percent (85%) for two (2) consecutive calendar months during the period of time that the Leasing Restrictions are lifted, at the expiration of the calendar month during which the Occupancy Level of the Facilities meets or exceeds eighty-five percent (85%) for the previous two (2) consecutive calendar months, the Leasing Restrictions will again be imposed upon the Facilities, subject to being lifted in accordance with the terms and provisions of this Section 15.02.

Section 15.03. OCCUPANCY RENTS; CAMPUS HOUSING CONTRACTS.

A. The Manager shall charge Occupancy Rents to Assigned Occupants for the Facilities at the rates set forth in the Annual Budget. Notwithstanding anything contained in this Lease to the contrary, LESSEE shall be entitled to adjust the Occupancy Rents to equal rents (1) charged for other housing projects on UTSA's campus comparable to the Facilities, or (2) charged for other comparable housing projects located in Bexar County. Any proposed increase in Occupancy Rents shall be submitted to the Vice President for

Business Affairs as a part of an Annual Budget or a revised Annual Budget for approval.

B. At least forty-five (45) days prior to the commencement of the first Academic Year during the Term, the Manager shall provide UTSA with the form of housing contract (the "Campus Housing Contract") prepared by the Manager for execution by all On-Campus Occupants to occupy space in the Facilities (the "Assigned Occupants"). The Manager shall be entitled to amend the form of Campus Housing Contract from time to time, in which event the Manager shall deliver the amended form to The University.

Section 15.04. CAMPUS OCCUPANCY REPORTS. Not more than thirty (30) days after the commencement of each Semester during the Term, LESSEE shall deliver to LESSOR the Campus Occupancy Report for such Semester, which shall set forth the following:

A. A reconciliation of all On-Campus Occupants for the applicable Semester (including a listing of the name and address of each On-Campus Occupant, those On-Campus Occupants who are First Priority Occupants or New Occupants, the housing facilities to which all of such On-Campus Occupants have been assigned for the applicable Semester, and such other information regarding each On-Campus Occupant reasonably requested by LESSEE or the Permitted Mortgagees);

B. A schedule showing the amounts of (1) the prepaid Occupancy Rents and security deposits received by Manager from the Assigned Occupants, (2) the Occupancy Rents to be paid by the Assigned Occupants for the remainder of the applicable Semester, and (3) the Occupancy Rents charged for other housing located on the campus; and

C. Such other information or documents as LESSEE (or the Permitted Mortgagees) shall reasonably request in order for LESSEE (and the Permitted Mortgagees) to verify the assignment of the On-Campus Occupants to the Facilities by the Manager.

Section 15.05. EXAMINATION AND AUDIT. All of the books and records of the Facilities relating to the information included in each Campus Occupancy Report (the "Occupancy Records") shall be maintained in the administrative office of the Manager located on the The University's campus for a period of at least three (3) years after the end of the Academic Year to which the Occupancy Records pertain. LESSEE, the Permitted Mortgagees, and their representatives shall have the right to audit the Occupancy Records during business hours in a location in San Antonio, Texas designated by Century Property Management for the purpose of confirming the matters set forth in each Campus Occupancy Report. The cost of such audit shall be borne by LESSEE (or the Permitted Mortgagees, as applicable).

Section 15.06. LEASING TO OTHER PERSONS. Notwithstanding anything contained in Section 15.02 to the contrary, after a Foreclosure and LESSOR Default Occurrence, if any units in the Facilities remain unleased upon the commencement of the Fall Semester (or become unleased at any subsequent time during the remainder of such Academic Year), then the Permitted Mortgagee or other Person succeeding to the interests of LESSEE hereunder through a Foreclosure shall be entitled to lease such unleased units (for a term of no longer than 12 months) to any Persons, including those not affiliated with LESSOR, until the Permitted Mortgagee recovers its Total Imputed Debt (including any make-whole amounts) and the Permitted Mortgagee may charge whatever rent rates the Permitted Mortgagee desires for such unleased units; however, the rent rates charges to Persons not affiliated with LESSOR may not be any less than Occupancy rent being charged to On-Campus Occupants. Thus, if the Permitted Mortgagee desires to charge rent rates less than the prevailing Occupancy Rents, the Permitted Mortgagee must decrease the Occupancy Rents to equal such lower rent rates. After the Permitted Mortgagee recovers its Total Imputed Debt (including any make-whole amounts), this Section 15.06 shall no longer have any force or effect and the Permitted Mortgagee's or such other Person's right to lease unleased units to Persons not affiliated with LESSOR shall be governed by Section 15.02.

ARTICLE SIXTEEN
DEFAULT BY LESSOR

Section 16.01. LESSOR DEFAULTS. If LESSOR fails to perform any of the obligations or covenants of LESSOR under this Lease, LESSEE shall be entitled to enforce any one or more of the following rights and remedies:

- A. LESSEE shall be entitled to cease paying all Rent and other amounts owed to LESSOR under this Lease;
- B. LESSEE shall be entitled to require LESSOR to specifically perform its obligations under this Lease or restrain or enjoin LESSOR from continuing the activities that constitute the default of LESSOR; and
- C. LESSEE shall be entitled to exercise all other rights and remedies available to LESSEE under this Lease or otherwise available to LESSEE at law or in equity as a consequence of the LESSOR'S default.

Section 16.02. RIGHTS OF LESSEE CUMULATIVE. All rights and remedies of LESSEE provided for in this Lease shall be construed and held to be cumulative, and no single right or remedy shall be exclusive of any other which is consistent with the former. LESSEE shall have the right to pursue any or all of the rights or remedies set forth herein, as well as any other consistent remedy or relief which may be available at law or in equity, but which is not set forth herein. No waiver by LESSEE of a breach of any of the

covenants, conditions or restrictions of this Lease shall be construed or held to be a waiver of any succeeding or preceding breach of the same or of any other covenant, condition or restriction herein contained. The failure of LESSEE to insist in any one or more cases upon the strict performance of any of the covenants of this Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment of future breaches of such covenant or option.

ARTICLE SEVENTEEN CONDEMNATION

Section 17.01. CONDEMNATION OF ENTIRE PREMISES. Upon the permanent Taking of the entire Premises, this Lease shall terminate and expire as of the date of such Taking, and both LESSEE and LESSOR shall thereupon be released from any liability thereafter accruing hereunder. LESSEE and the Permitted Mortgagee shall each receive Notice of any proceedings relating to a Taking and shall each have the right to participate therein.

Section 17.02. PARTIAL CONDEMNATION. Upon a temporary Taking or a Taking of less than all of the Premises, LESSEE, at its election, may terminate this Lease by giving LESSOR Notice of its election to terminate at least sixty (60) days prior to the date of such termination if LESSEE reasonably determines that the Premises cannot be economically and feasibly used by LESSEE for its intended purposes. Upon any such termination, the Rent accrued and unpaid hereunder shall be apportioned to the date of termination.

Section 17.03. PAYMENT OF AWARDS. Upon the Taking of all or any portion of the Premises (a) LESSEE shall be entitled (free of any claim by LESSOR) to the Award for the value of its interest in the Premises and its rights under this Lease and damages to any of its other property together with any other compensation or benefits specifically awarded to LESSEE'S business; and (b) LESSOR shall be entitled (free of any claim by LESSEE) to the Award for the value of LESSOR'S Interest (such value to be determined as if this Lease were in effect and continuing to encumber LESSOR'S Interest).

Section 17.04. REPAIR AFTER CONDEMNATION. Should a Taking occur that does not result in termination as provided by Sections 17.01 or 17.02, LESSEE, at its expense, shall commence and proceed with reasonable diligence to repair or reconstruct the Facilities to a complete architectural unit or units, including temporary repairs, changes and installation required to accommodate Assigned Occupants and all other work incidental to and in connection with all the foregoing. Any and all such repairs or reconstruction shall be subject to prior reasonable approval of The University. Notwithstanding the foregoing provisions of this Section 17.04, if the Award payable as a consequence of a Taking (after payment of all or any portion of such Award towards amounts owed under any Permitted Mortgage) is insufficient, in the reasonable judgment

of LESSEE, to permit such restoration, then LESSEE, with the prior written approval of the Permitted Mortgagee a copy of which approval must be delivered to LESSOR, may terminate this Lease by written Notice to LESSOR. All or any portion of the Award payable to LESSEE as a consequence of a Taking affecting the Premises shall be deposited with and disbursed by the Permitted Mortgagee (holding the Permitted Mortgage with the most senior lien priority) pending the completion of the restoration of the Premises. In the event of termination under this Section 17.04, this Lease shall terminate ten (10) days after the date of such Notice with the same force and effect as if such date were the date herein fixed for the expiration of the Term, and the Rent shall be apportioned and paid at the time of such termination.

Section 17.05. APPRAISAL. LESSEE and LESSOR shall each nominate one Person deemed by them, respectively, to be fit, reputable and impartial to appraise and determine the unresolved matter. The nomination must be in writing and must be given each party to the other within fifteen (15) days after the aforesaid thirty (30) day period. If only one party shall so nominate an appraiser within such fifteen (15) day period, the other party may then nominate an appraiser by written Notice to the other party given within ten (10) days after its receipt of the nomination of the other party. If only one party shall nominate an appraiser within the periods referred to above, then that appraiser shall have the power to act alone, and the appraiser's decision as to value or such other matters made in accordance with the provisions hereof shall be binding on both parties. The two Persons so nominated and appointed as appraisers by the parties shall be requested to appraise the Facilities or other matter submitted to them within thirty (30) days after the second of them shall be nominated. If the lower of the two values so determined by them is within ten percent (10%) less than the higher value, then such two appraisers shall appoint a fit, reputable and impartial person to be umpire between them, if they can agree upon such Person. However, if they cannot agree on an umpire within ten (10) days after the expiration of the aforesaid thirty (30) day period for agreement between them (as determined in accordance with the terms hereof), then either party may apply to the Chief District Judge of the United States District Court for the Western District of Texas (or successor judge exercising similar functions) to appoint a fit, reputable and impartial Person, who shall then be umpire, but if such Chief Judge (or successor) shall fail or refuse to act within thirty (30) days of application to such Chief Judge then either party may apply to any court having jurisdiction for the appointment of such umpire. The appraisers and any umpire shall be members of The Appraisal Institute. The following written decisions shall be conclusive and binding on the parties: the decision of one appraiser if either party shall fail to appoint its appraiser as hereinabove provided; the decision of the two appraisers prior to appointment of the umpire; and the decision of a majority of the two appraisers and the umpire. The two appraisers and umpire shall serve their written decision upon the parties hereto within sixty (60) days after the selection of such umpire, provided the two appraisers may extend that period once up to sixty (60) days by joint Notice to the parties hereto. Each party shall bear the expense of its own appraiser, but the fees and expenses of the umpire shall be shared equally. In no event shall the appraisers have the right or power to vary the terms of this Lease. In

determining the value of LESSEE'S interest in the Premises, the appraisers and umpire (if any) shall assume that this Lease is in full force and effect and that LESSOR is obligated to continue performing its obligations under this Lease for the remainder of the Term, including its obligations under Article Fifteen.

ARTICLE EIGHTEEN
ASSIGNMENT, SUBLETTING, AND TRANSFERS OF LESSEE'S INTEREST

Section 18.01. ASSIGNMENT BY LESSEE

- A. At any time after the Date of Opening, LESSEE may sell or assign LESSEE'S leasehold estate created by this lease and the other rights of LESSEE hereunder to any Permitted Assignee without the consent of LESSOR.

- B. LESSEE is not authorized to sell or assign LESSEE'S leasehold estate in its entirety or for any portion of the unexpired Term (other than a sale or assignment to a Permitted Assignee) without first obtaining the consent of LESSOR, which consent will not be unreasonably withheld or delayed and any such assignment made or given without first obtaining LESSOR'S consent shall be null and void. LESSOR hereby agrees that its decision to approve or disapprove a proposed assignee or purchaser of the LESSEE'S interest in the Premises and leasehold estate created hereby shall be based solely upon the financial strength and managerial capabilities of such proposed assignee or purchaser.

Section 18.02. SUBLETTING. Except for subleases to Assigned Occupants and except as otherwise set forth in this Lease, including Section 15.06, LESSEE is not authorized to sublet the leasehold estate without the LESSOR'S prior written consent. A sublease to any Person for the purpose of providing laundry services to the Facilities shall be deemed approved by LESSOR.

Section 18.03. APPLICATION TO PERMITTED MORTGAGES. Nothing contained in this Article Eighteen shall be construed to apply to or otherwise limit the rights of LESSEE to mortgage (or assign for collateral) its leasehold estate and other rights under this Lease to a Permitted Mortgagee, as to which Article Eight shall govern.

Section 18.04. TRANSFERS OF MORTGAGES OF LESSOR'S INTEREST. Any and all mortgages, deeds of trust, or liens placed or suffered by LESSOR encumbering LESSOR'S Interest shall be expressly subject and subordinate to this Lease, to all obligations of LESSOR hereunder, and to all of the rights, titles, interests and estates of LESSEE created or arising hereunder. The obligations of LESSOR under this Lease shall survive any conveyance, Foreclosure or other transfer of LESSOR'S Interest, and LESSOR shall not be relieved of such obligations as a consequence of such conveyance,

Foreclosure or other transfer. Furthermore, any Person succeeding to LESSOR'S Interest as a consequence of any such conveyance, Foreclosure or other transfer shall succeed to all of the obligations of LESSOR hereunder.

ARTICLE NINETEEN COMPLIANCE CERTIFICATES

Section 19.01. LESSOR'S COMPLIANCE. LESSEE agrees, at any time and from time to time upon not less than thirty (30) days prior written Notice by LESSOR, to execute, acknowledge and deliver to LESSOR or to such other party as LESSOR shall request, a statement in writing certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that the same is in full force and effect as modified and stating the modifications), (b) to the best of its knowledge, whether or not there are then existing any offsets or defenses against the enforcement of any of the terms, covenants or conditions hereof upon the part of LESSEE to be performed (and if so specifying the same), (c) the dates to which the Rent and other charges have been paid, and (d) the dates of commencement and expiration of the Term, it being intended that any such statement delivered pursuant to this Section 19.01 may be relied upon by any prospective purchaser of the LESSOR'S Interest.

Section 19.02. LESSEE'S COMPLIANCE. LESSOR agrees, so far as permissible under the laws of the State of Texas, at any time and from time to time, upon not less than thirty (30) days prior written Notice by LESSEE, to execute, acknowledge and deliver to LESSEE a statement in writing addressed to LESSEE or to such other party as LESSEE shall request, certifying (a) that this Lease is unmodified and in full force and effect (or if there have been modifications that the same is in full force and effect as modified and stating the modifications); (b) the dates to which the Rent and other charges have been paid; (c) whether an Event of Default (or, to the best of its knowledge, an Incipient Default) has occurred and is continuing hereunder (and stating the nature of any such Event of Default or Incipient Default); and (d) the dates of commencement and expiration of the Term, it being intended that any such statement delivered pursuant to this Section 19.02 may be relied upon by any prospective assignee, sublessee, or Permitted Mortgagee of this Lease or by any assignee or prospective assignee of any Permitted Mortgage or by any undertenant or prospective undertenant of the whole or any part of the Premises.

ARTICLE TWENTY TAXES AND FEES

Section 20.01. PAYMENT OF TAXES. LESSEE shall pay, and, upon request by LESSOR, shall provide evidence of payment to the appropriate collecting authorities, all

federal, state and local taxes and fees, which are now or may hereafter be, levied upon the Premises, or upon LESSEE, or upon the business conducted on the Premises, or upon any of LESSEE'S property used in connection therewith; and shall maintain in current status all federal, state and local licenses and permits required for the operation of the business conducted by LESSEE. LESSOR shall pay, and, upon request by LESSEE or a Permitted Mortgagee, shall provide evidence of payment to the appropriate collecting authorities, all federal, state and local taxes and fees, which are now or may hereafter be, levied upon LESSOR or LESSOR'S interest. LESSEE and LESSOR may pay any of the above items in installments if payment may be so made without penalty other than the payment of interest. The obligations of LESSOR and LESSEE to pay taxes and fees under this Section 20.01 shall apply only to the extent that LESSOR or LESSEE are not exempt from paying such taxes and fees and to the extent that such taxes and fees are not otherwise abated.

Section 20.02. **CONTESTED TAX PAYMENTS.** LESSEE shall not be required to pay, discharge or remove any such taxes or assessments so long as LESSEE is contesting the amount or validity thereof by appropriate proceeding which shall operate to prevent or stay the collection of the amount so contested. LESSEE hereby agrees to indemnify and save LESSOR harmless from all liability for damages occasioned thereby and shall, in the event of a judgment of foreclosure on any lien arising in respect to such contested amounts, cause the same to be discharged and removed prior to the execution of such judgment. LESSOR shall cooperate with LESSEE in completing such contest and LESSOR shall have no right to pay the amount contested during the contest. Upon the termination of such proceeding, LESSEE shall deliver to LESSOR proof of the amount due as finally determined and proof of payment thereof. LESSOR, at LESSEE'S expense, shall join in any such proceeding if any law shall so require.

Section 20.03. **EXPENSES OF CONTEST.** All costs and expenses of any contest of any tax or fee pursuant to this Article Twenty by LESSEE shall be paid by LESSEE.

ARTICLE TWENTY-ONE **FORCE MAJEURE**

Section 21.01. **DISCONTINUANCE DURING FORCE MAJEURE.** Whenever a period of time is herein prescribed for action to be taken by LESSEE or a Permitted Mortgagee, LESSEE shall not be liable or responsible for, and there shall be excluded from the computation for any such period of time, any delays due to FORCE MAJEURE unless LESSEE shall, within ten (10) days after LESSEE is aware of the existence on an event of FORCE MAJEURE, notify LESSOR thereof in writing, certified mail, return receipt requested. One (1) Notice shall be sufficient per occurrence. The foregoing notwithstanding, if any such delay is caused by LESSOR there shall be no time limit on the period of enforced delay and LESSEE shall not be required to give Notice to LESSOR hereunder.

ARTICLE TWENTY-TWO
GENERAL

Section 22.01. NONDISCRIMINATION. Any impermissible discrimination by LESSEE or its agents or employees on the basis of race, color, sex, age, religion, national origin, veteran's status, or handicap in employment practices or in the performance of the terms, conditions, covenants and obligations of this Lease, is prohibited. LESSEE acknowledges the policy of The University of Texas System Board of Regents to provide practical opportunities for women-owned and minority-owned business enterprises to participate in contracts awarded by component institutions of The University of Texas System. Accordingly, LESSEE will use its best efforts to include women-owned and minority-owned small business enterprises as material suppliers, as contractors, and/or as subcontractors in planning, designing, developing, constructing, managing, maintaining and operating the premises during construction and following completion.

Section 22.02. CONFLICT OF INTEREST. LESSEE acknowledges that it is informed that Texas law prohibits contracts between LESSOR and its officers, and that the prohibition extends to contracts with any partnership, corporation or other organization in which any such officer has an interest. LESSEE certifies (and this Lease is made in reliance thereon) that neither LESSEE nor any person having an interest in this Lease by, through or under LESSEE is an officer of LESSOR.

Section 22.03. NOTICES. Any Notice, communication, request, reply or advice or duplicate thereof (herein severally and collectively, for convenience call "Notice") in this instrument provided or permitted to be given, made or accepted by either party to any other party must be in writing and shall, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested, or by delivering the same in person to such party. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Lease, from and after the expiration of four (4) days after it is so deposited, regardless of whether or when same is actually received by the addressee, except that in all cases Notice given to the holder of any Permitted Mortgage must be received by such Permitted Mortgage to be effective. Notice in any other manner shall be effective only if and when received by the party to be notified.

For purposes of Notice, the addresses of the parties shall, until changed as hereinafter provided, be as follows:

IF TO LESSOR, TO: The University of Texas at San Antonio

6900 N. Loop 1604 W.
San Antonio, Texas 78249
Attention: Vice President for
Business Affairs

AND A COPY TO: The Board of Regents of the
University of Texas System
601 Colorado Street
Austin, Texas 78701
Attention: Executive Vice
Chancellor For Academic
Affairs

AND A COPY TO: Office of General Counsel
University of Texas System
201 West 7th Street
Austin, Texas 78701
Attention: General Counsel

IF TO LESSEE, TO: University Oaks Housing Partnership I, LTD.
Two Post Oak Central
1980 Post Oak Blvd., Suite 1200
Houston, Texas 77056
Attn: Mr. Wayne F. Sramek

IF TO PERMITTED MORTGAGEE.
TO: CIGNA Insurance Company
900 Cottage Grove Road
Routing S-307
Bloomfield, CT 06002

AND A COPY TO: NCNB National Corporation
700 Louisiana, 5th Floor
Houston, Texas 77002

However, the parties hereto, and their respective heirs, successors, legal representatives and assigns, shall have the right from time to time at any time to change their respective addresses and each shall have the right to specify as such party's address any other address within the United States of America by at least fifteen (15) days' written Notice to the other party; provided, however, that if at any one time more than one person or party owns an interest in the Premises, nevertheless such persons or parties may not designate more than two places and addresses to receive Notice pursuant to the terms

hereof (but with copies of Notices to not more than two additional addresses). Notices to any Permitted Mortgagees shall be given in the manner set forth above to the address furnished from time to time by such Permitted Mortgagees.

Section 22.04. RELATIONSHIP OF PARTIES. Nothing contained herein shall be deemed or construed by the parties hereto, or by any third party, as creating the relationship of principal and agent, partners, joint venturers, or any other similar such relationship, between the parties hereto. It is understood and agreed that no provision contained herein nor any acts of the parties hereto creates a relationship other than the relationship of LESSOR and LESSEE.

Section 22.05. MEMORANDUM OF LEASE. Neither LESSOR nor LESSEE shall file this Lease for record in the Office of the County Clerk of Bexar County, Texas, or in any public place without the written consent of the other. In lieu thereof, LESSOR and LESSEE agree to execute in recordable form a Memorandum of Lease. Such memorandum shall be filed for record in the Office of the County Clerk of Bexar County.

Section 22.06. APPROVALS. Whenever approvals are required of either party hereunder, if no objection is made to a written proposal or request for approval within the time period specified for response herein, such approval shall be deemed to have been given. If no time period is specified for a response to a proposal or request for approval, a reasonable time not to exceed ten (10) business days from the date of such proposal or request shall apply unless the parties otherwise agree in writing.

Section 22.07. TEXAS LAW TO APPLY. This Lease shall be construed under and in accordance with the laws of the State of Texas, and all obligations of the parties created hereunder are performable in Bexar County, Texas.

Section 22.08. WARRANTY OF PEACEFUL POSSESSION. LESSOR covenants that LESSEE, on paying the Rent and performing and observing all of the covenants and agreements herein contained and provided to be performed by LESSEE, shall and may peaceably and quietly have, hold, occupy, use, and enjoy the Premises during the Term, and may exercise all of its rights hereunder; and LESSOR agrees to warrant and forever defend LESSEE's right to such occupancy, use, and enjoyment of the Premises against the claims of any and all persons whomsoever lawfully claiming the same, or any part thereof, by, under, or through LESSOR, subject only to the provisions of this Lease and the matters listed on EXHIBIT "B" attached hereto.

Section 22.09. APPROVAL OF ANCILLARY AGREEMENTS. LESSOR agrees that in the event it becomes necessary or desirable for LESSOR to approve in writing any ancillary agreements or documents concerning the Premises or concerning the construction, operation or maintenance of the Facilities or to alter or amend any such ancillary agreements between LESSOR and LESSEE or to give any approval or consent of LESSOR required under the terms of this Lease, LESSOR hereby authorizes,

designates and empowers the following officers of The University of Texas at San Antonio to execute any such agreement, approvals or consents necessary or desirable: The President or Vice President for Business Affairs of UTSA or their successors in function, subject to required approvals (if any) by appropriate UT System officials.

ARTICLE TWENTY-THREE
MISCELLANEOUS

Section 23.01. LESSOR'S RIGHTS CUMULATIVE. All rights, options, and remedies of LESSOR contained in this Lease shall be construed and held to be cumulative and no one of them shall be exclusive of the other, and LESSOR shall have the right to pursue any one or all of such remedies or any other remedy or relief which may be provided by law or in equity whether or not stated in this Lease.

Section 23.02. NONWAIVER BY LESSOR. No waiver by LESSOR of a breach of any of the covenants, conditions, or restrictions of this Lease shall constitute a waiver by LESSOR of any subsequent breach of any of the covenants, conditions or restrictions of this Lease. The failure of LESSOR to insist in any one or more cases upon the strict performance of any of the covenants of the Lease, or to exercise any option herein contained, shall not be construed as a waiver or relinquishment for the future of such covenant or option. A receipt of LESSOR or acceptance of payment by LESSOR of rent with knowledge of the breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver, change, modification or discharge by LESSOR of any provision of this Lease shall be deemed to have been made or shall be effective unless expressed in writing and signed by the party to be charged.

Section 23.03. TERMINOLOGY. Unless the context of this Lease clearly requires otherwise, (a) pronouns, wherever used herein, and of whatever gender, shall include natural persons and corporations and associations of every kind and character; (b) the singular shall include the plural wherever and as often as may be appropriate; (c) the word "includes" or "including" shall mean "including without limitation"; and (d) the words "hereof," "herein," "hereunder," and similar terms in this Lease shall refer to this Lease as a whole and not to any particular section or article in which such words appear. The section, article and other headings in this Lease and the Table of Contents to this Lease are for reference purposes and shall not control or affect the construction of this Lease or the interpretation hereof in any respect. Article, section and subsection and exhibit references are to this Lease unless otherwise specified. All exhibits attached to this Lease constitute a part of this Lease and are incorporated herein.

Section 23.04. COUNTERPARTS. This Lease may be executed in multiple counterparts, each of which shall be declared an original.

Section 23.05. SEVERABILITY. If any clause or provision of this Lease is

illegal, invalid or unenforceable under present or future laws effective during the term of this Lease, then and in that event, it is the intention of the parties hereto that the remainder of this Lease shall not be affected thereby.

Section 23.06. ENTIRE AGREEMENT. This Lease, together with the authorized resolution of LESSOR, the Request for Proposals, and LESSEE's response, contains the final and entire agreement between the parties hereto and contains all of the terms and conditions agreed upon, and no other agreements, oral or otherwise, regarding the subject matter of this Lease shall be deemed to exist or to bind the parties hereto; it being the intent of the parties that neither shall be bound by any term, condition, or representations not herein written. In the event of any conflict of this Lease and the Request for Proposal, this Lease shall control.

Section 23.07. AMENDMENT. No amendment, modification, or alteration of the terms of this Lease shall be binding unless the same be in writing, dated on or subsequent to the date hereof and duly executed by the parties hereto.

Section 23.08. SUCCESSORS AND ASSIGNS. All of the covenants, agreements, terms and conditions to be observed and performed by the parties hereto shall be applicable to and binding upon their respective successors, heirs, executors and assigns.

Section 23.09. HAZARDOUS MATERIALS. Notwithstanding anything contained in this Lease to the contrary, if LESSEE finds any Hazardous Materials (hereinafter defined) on the Land prior to December 31, 1991, then LESSEE shall have the right to terminate this Lease by delivering written Notice thereof to LESSOR no later than January 15, 1992. If LESSEE terminates this Lease as a result of finding Hazardous Materials on the Land, then neither party hereto shall have any further rights, duties, or obligations hereunder.

As used in this Lease, "Hazardous Materials" shall mean (i) any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6091 et seq.), as amended from time to time, and regulations promulgated thereunder; (ii) any "hazardous substance" as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 6091 et seq.), as amended from time to time, and regulations promulgated thereunder; (iii) polychlorinated biphenyls; (iv) underground storage tanks, whether empty, filled or partially filled with any substance, (v) any substance the presence of which on the Land is prohibited by any governmental requirements; and (vi) any other substance which by any governmental requirements requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment or disposal.

LESSEE shall not use, occupy, or permit the Premises to be used or occupied, or do or permit anything to be done in or on the Premises in a manner which

would in any way make void or voidable any insurance then in force with respect thereto, which would make it impossible to obtain the insurance required to be furnished by LESSEE hereunder, which would constitute a public or private nuisance, or which would violate any present or future, ordinary or extraordinary, foreseen or unforeseen, laws, regulations, ordinances, or requirements of any Governmental Authority having jurisdiction.

LESSEE shall not use the Premises or permit the Premises to be used to as to cause, suffer or allow any contamination of soils, ground water, surface water or natural resources on or adjacent to the Premises resulting from any cause, including but not limited to spills or leaks of oil, gasoline, hazardous materials, hazardous wastes or other chemical compounds. LESSEE shall at all times during the Term of this Lease comply with applicable state, federal and local laws, regulations and guidelines for the use, handling, storage and disposal of hazardous materials. LESSEE shall be solely responsible for cleanup of any contamination and for any fines or penalties resulting from violation of the provisions of this Section 23.09.

Section 23.10. INDEPENDENT CONTRACTOR. It is expressly understood and agreed that LESSEE is and shall be deemed to be an independent contractor and operator responsible to all parties for its respective acts or omissions and that LESSOR shall in no way be responsible therefor.

IN WITNESS WHEREOF, this Lease is executed by LESSOR and LESSEE as of the day and year first above written.

LESSOR:

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM
FOR THE USE AND BENEFIT OF
THE UNIVERSITY OF TEXAS AT
SAN ANTONIO

Arthur H. Dilly
Executive Secretary

By: _____
Louis A. Beecherl, Jr.
Chairman

LESSEE:

UNIVERSITY OAKS HOUSING PARTNERSHIP I, LTD.

By: _____

Wayne F. Sramek
Executive Vice President

APPROVED AS TO CONTENT:

APPROVED AS TO FORM:

Samuel A. Kirkpatrick
President, University of
Texas at San Antonio

Max J. Werkenthin
Office of General Counsel

EXHIBIT A

(To be attached before execution)

EXHIBIT B

(To be attached before execution)

EXHIBIT C

(To be attached before execution)

EXHIBIT D

(To be attached before execution)

EXHIBIT E

(To be attached before execution)

9. U. T. Southwestern Medical Center - Dallas - Aston Ambulatory Care Center - Eighth Floor Finish Out: Authorization for Project; Appointment of HKS, Inc., Dallas, Texas, as Project Architect to Prepare Final Plans; Approval for Submission of the Project to the Coordinating Board; and Appropriation Therefor.--The Facilities Planning and Construction Committee recommended and the Board:

- a. Authorized a project for the Aston Ambulatory Care Center - Eighth Floor Finish Out at The University of Texas Southwestern Medical Center at Dallas at an estimated total project cost of \$3,445,000
- b. Appointed the firm of HKS, Inc., Dallas, Texas, as Project Architect to prepare final plans and specifications to be submitted to the U. T. Board of Regents for consideration at a future meeting
- c. Authorized submission of the project to the Texas Higher Education Coordinating Board
- d. Appropriated \$195,000 from U. T. Southwestern Medical Center - Dallas Unexpended Plant Funds for fees and administrative expenses through preparation of final plans and specifications. These funds will be reimbursed from Tax-Exempt Revenue Financing System Bond Proceeds to be issued at a later date.

In April 1991, the U. T. Board of Regents awarded a construction contract for Additions and Renovations to the Aston Ambulatory Care Center at the U. T. Southwestern Medical Center - Dallas, which included constructing floor levels seven and eight as shell space.

The U. T. Southwestern Medical Center - Dallas has identified a need to finish out the eighth floor due to:

- An estimated patient volume of 144,000 in 1991, which is a twenty percent increase over 1990
- An immediate need for clinical space to develop comprehensive programs in:
 - Diagnosis and treatment center
 - Bone and joint disease
 - Prostatic diseases identification and management
 - Integrated neurology and neurosurgery.

The eighth floor finish out will allow the U. T. Southwestern Medical Center - Dallas to develop these programs with an estimated revenue increase of \$2.9 million in the first year of activity.

The 1991 Capital Improvement Plan and the 1992 Capital Budget include a project to finish out two floors of shell space constructed with the Additions and Renovations to the Aston Ambulatory Care Center at a total project cost of \$6,500,000. This project is for authorization to finish out only one shell floor at this time for a total project cost of \$3,445,000.

10. U. T. Southwestern Medical Center - Dallas - Research Building - Phase II North Campus Expansion: Authorization for Project; Appointment of Omniplan, Inc., Dallas, Texas, as Project Architect to Prepare Preliminary Plans; Approval for Submission of the Project to the Coordinating Board; and Appropriation Therefor.--Upon recommendation of the Facilities Planning and Construction Committee, the Board:

- a. Authorized a project for the construction of the second phase of development on the North Campus of The University of Texas Southwestern Medical Center at Dallas to consist of a Research Building with support facilities, Expansion of the Thermal Energy Plant, an Intercampus Connector, Infrastructure and related site work at an estimated total project cost of \$67,800,000 exclusive of institutional equipment
- b. Appointed the firm of Omniplan, Inc., Dallas, Texas, as Project Architect to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Authorized submission of the project to the Texas Higher Education Coordinating Board
- d. Appropriated \$2,000,000 from Interest on Designated Funds Time Deposits for fees and administrative expenses through preparation of preliminary plans. These funds will be reimbursed from Revenue Financing System Bond Proceeds to be issued at a later date.

Research Building NA will be the second research building constructed on the North Campus. It will be a ten-story building with approximately 182,913 gross square feet of research space; 30,333 gross square feet of research support space; and 88,933 gross square feet of parking. Support Building NG will provide an additional 137,700 gross square feet of parking and a plaza area of 45,900 gross square feet. The energy plant will be expanded at this time with attendant infrastructure expansion. A key part of Phase II is construction of an Intercampus Connector to provide safe pedestrian access, a data and communications link, and a busway between the two campuses.

This project is included in the 1991 Capital Improvement Plan and the 1992 Capital Budget. The funding is \$20,000,000 from Permanent University Fund Bond Proceeds and \$47,800,000 from Revenue Financing System Bond Proceeds.

11. U. T. Medical Branch - Galveston - Medical Research Building - Completion of Shell Floors Five, Six, and Seven and Addition of Four Floors (Project No. 601-765): Authorization to Increase Total Project Cost and Approval to Change Source of Project Funding.--In April 1991, the U. T. Board of Regents authorized a project for the completion of shell floors five, six, and seven and the construction of four additional shell floors for the Medical Research Building at The University of Texas Medical Branch at Galveston. The U. T. Medical Branch - Galveston has identified a need to complete the four previously authorized additional shell floors eight, nine, ten, and eleven due to:

- Architectural and engineering considerations for completion of the shell floors now rather than through another future construction project for economy and to minimize disruption to the building occupants
- An increasing demand for research space caused by the accelerated development of the Sealy & Smith Research Centers
- Identification of funding to complete the project without the use of revenue financing.

In accordance therewith, the Facilities Planning and Construction Committee recommended and the Board:

- a. Approved an increase in the authorized total project cost for the Completion of Shell Floors Five, Six, and Seven and the Addition of Four Floors for the Medical Research Building at U. T. Medical Branch - Galveston from \$14,125,000 to \$33,600,000
- b. Approved a change in the source of project funding from \$4,125,000 in Tax-Exempt Permanent University Fund Bond Proceeds and \$10,000,000 in Revenue Financing System Bond Proceeds to \$4,125,000 in Tax-Exempt Permanent University Fund Bond Proceeds, \$20,000,000 in gifts from The Sealy & Smith Foundation for the John Sealy Hospital, and \$9,475,000 in Unappropriated Balances for \$33,600,000 in total project funding.

Approval of this item will amend the 1991 Capital Improvement Plan and the 1992 Capital Budget.

REPORT AND RECOMMENDATIONS OF THE ASSET MANAGEMENT COMMITTEE (Pages 153 - 166).--Committee Chairman Cruikshank reported that the Asset Management Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Asset Management Committee and approved in open session and without objection by the U. T. Board of Regents.

I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTERS

1. Report on Clearance of Monies to the Permanent University Fund for July and August 1991 and Report on Oil and Gas Development as of August 31, 1991.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for July and August 1991 and (b) Oil and Gas Development as of August 31, 1991, were submitted by the Vice Chancellor for Business Affairs:

Permanent University Fund	July 1991	August 1991	Cumulative Through August of this Fiscal Year (1990-1991)	Cumulative Through August of Preceding Fiscal Year (1989-1990)	Per Cent Change
Royalty					
Oil	\$ 4,653,542.01	\$ 4,315,702.00	\$ 66,431,980.71	\$ 53,061,624.90	25.20%
Gas	876,603.95	1,032,116.62	18,616,255.42	18,283,932.38	1.82%
Sulphur	0.00	0.00	0.00	193,919.75	--
Water	137,030.74	136,174.85	997,131.00	1,006,859.67	-0.97%
Brine	3,306.59	2,269.27	55,831.52	60,112.08	-7.12%
Trace Minerals	0.00	0.00	0.00	0.00	--
Rental					
Oil and Gas Leases	16,026.83	4,016.55	681,248.04	883,021.13	-22.85%
Other	3,296.00	7,613.00	25,717.65	28,368.65	-9.34%
Sale of Sand, Gravel, Etc.	0.00	558.00	24,360.75	43,563.80	-44.08%
Total University Lands Receipts Before Bonuses	5,689,806.12	5,498,450.29	86,832,525.09	73,561,402.36	18.04%
Bonuses					
Oil and Gas Lease Sales	100.00	0.00	2,383,107.90	4,913,077.50	-51.49%
Amendments and Extensions to Mineral Leases	0.00	0.00	91,413.64	160.00	--
Total University Lands Receipts	5,689,906.12	5,498,450.29	89,307,046.63	78,474,639.86	13.80%
Gain or (Loss) on Sale of Securities	8,852,961.84	40,808,301.74	10,876,029.89	63,876,238.54	-82.97%
TOTAL CLEARANCES	<u>\$14,542,867.96</u>	<u>\$46,306,752.03</u>	<u>\$100,183,076.52</u>	<u>\$142,350,878.40</u>	<u>-29.62%</u>

Oil and Gas Development - August 31, 1991

Acreage Under Lease - 668,497

Number of Producing Acres - 537,053

Number of Producing Leases - 2,141

2. Permanent University Fund: Adoption of Resolution Related to The University of Texas System Permanent University Fund Variable Rate Notes, Series A, to Reduce the \$269 Million Amended and Restated Credit Agreement Dated December 7, 1989, with Morgan Guaranty Trust Company of New York, New York, to \$150 Million and Authorization for the Executive Vice Chancellor for Asset Management to Execute the Appropriate Documents.--On December 7, 1989, the U. T. Board of Regents adopted a resolution to increase the maximum amount of Permanent University Fund Variable Rate Notes, Series A ("PUF Notes"), to be issued not to exceed \$269 million. On the same date, the Board and Morgan Guaranty Trust Company of New York, New York, agreed to amend the Credit Agreement to increase the bank loan commitment to \$269 million. Since the PUF Notes carry a variable interest rate, it is necessary to maintain a bank loan commitment as a backstop liquidity facility.

Prior to May 9, 1991, there were \$250 million PUF Notes outstanding. On that date, all \$250 million of PUF Notes were paid off with proceeds from the issuance of PUF fixed rate bonds. Subsequently, on May 24, 1991, the Board issued \$10 million of PUF Notes. Upon review of Capital Improvement Plan expenditures for the next two years, the maximum expenditures should not exceed \$150 million and, therefore, the bank loan commitment should be reduced from \$269 to \$150 million to meet the need. The reduction in the commitment will result in a total savings of \$146,000 over the next two years.

Therefore, the Board, upon recommendation of the Asset Management Committee:

- a. Adopted a resolution related to The University of Texas System Permanent University Fund Variable Rate Notes, Series A, to reduce the \$269 million Amended and Restated Credit Agreement dated December 7, 1989, with Morgan Guaranty Trust Company of New York, New York, to an amount of \$150 million.
- b. Authorized the Executive Vice Chancellor for Asset Management to take any and all actions necessary to execute the intent of the resolution. The reduction is authorized by Section 2.06 of the Credit Agreement and will be effective October 15, 1991.

II. TRUST AND SPECIAL FUNDS

Gifts, Bequests and Estates

1. U. T. Arlington: Acceptance of Transfer of Funds and Establishment of the Aerospace Engineering CFD Endowment Fund.--Upon recommendation of the Asset Management Committee, the Board accepted a \$10,250 transfer of institutional funds from the Department of Aerospace Engineering at The University of Texas at Arlington and established a quasi-endowment at U. T. Arlington to be named the Aerospace Engineering CFD Endowment Fund.

Income earned from the endowment will be reinvested in the endowment corpus until the corpus reaches \$100,000, at which time the income earned will be used to award graduate scholarships in Computational Fluid Dynamics (CFD) in the Department of Aerospace Engineering.

2. U. T. Austin: Establishment of the (a) Clarence Leon Carter Endowed Presidential Scholarship in Law, (b) John Winston Carter Endowed Presidential Scholarship in Law, and (c) Clarence Leon Carter and John Winston Carter Endowed Presidential Scholarship in Law in the School of Law.--At the request of the Law School Foundation (an external foundation), the Board established the following endowments in the School of Law at The University of Texas at Austin:
- a. Clarence Leon Carter Endowed Presidential Scholarship in Law
 - b. John Winston Carter Endowed Presidential Scholarship in Law
 - c. Clarence Leon Carter and John Winston Carter Endowed Presidential Scholarship in Law.

The funds for the endowments (\$181,865.15) will be held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowments to the U. T. Board of Regents.

Income earned from the endowments will be used to award scholarships at the discretion of a Selection Committee composed of at least three members designated by the Board of Trustees of the Law School Foundation, based on financial need.

3. U. T. Austin: Approval to Establish the Class of 63 Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to establish the Class of 63 Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$26,145) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

4. U. T. Austin: Acceptance of Bequest from the Estate of Clara Elisabeth Bates-Nisbet, Houston, Texas, for Addition to the College of Fine Arts Endowment Fund in the College of Fine Arts.--The Asset Management Committee recommended and the Board accepted a bequest, comprised of cash, real estate, and mineral interests, totaling \$416,011.12 from the Estate of Clara Elisabeth Bates-Nisbet, Houston, Texas, pursuant to a settlement agreement dated July 1, 1990, for addition to the College of Fine Arts Endowment Fund in the College of Fine Arts at The University of Texas at Austin.
5. U. T. Austin: Acceptance of Gifts from Various Donors and Establishment of the Sue Ann Ray Culver Endowed Presidential Scholarship in the Department of Intercollegiate Athletics for Women.--The Board accepted \$25,425 in gifts from various donors and established the Sue Ann Ray Culver Endowed Presidential Scholarship in the Department of Intercollegiate Athletics for Women at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarship support to basketball players who require financial assistance and have demonstrated involvement in community service or charitable activities. If, in any year, the award cannot be given to a basketball player, the scholarship will be awarded to an athlete in any sport who has met the financial need and community service criteria.

6. U. T. Austin: Approval to Dissolve the W. C. (Dusty) Duesterhoeft Chair in Electrical and Computer Engineering in the College of Engineering (No Publicity).--Upon recommendation of the Asset Management Committee, the Board dissolved the W. C. (Dusty) Duesterhoeft Chair in Electrical and Computer Engineering in the College of Engineering at The University of Texas at Austin and transferred \$2,513.47 held in this endowment to U. T. Austin to award a one-time scholarship in Electrical and Computer Engineering in honor of Dr. W. C. (Dusty) Duesterhoeft.

It was requested that no publicity be given to this matter.

7. U. T. Austin: Acceptance of Gifts from Various Donors and Establishment of the Mary Ellen Durrett Student and Faculty Development Fund in the College of Natural Sciences.--Authorization was given to accept \$10,004 in gifts from various donors and to establish the Mary Ellen Durrett Student and Faculty Development Fund in the Department of Human Ecology, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide support for the teaching and research activities of the faculty and support for worthy students in the Department of Human Ecology.

8. U. T. Austin: Establishment of the Bob Gibbins Endowed Presidential Scholarship in Law in the School of Law.--
At the request of the Law School Foundation (an external foundation), the Board established the Bob Gibbins Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$82,763.32) will be held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

9. U. T. Austin: Acceptance of Bequests from the Estate of Ruth Lee Kennedy, Tucson, Arizona, and Establishment of the Carrie Lee Kennedy Fellowship and The Oliver William Kennedy Fellowship in the College of Liberal Arts.--
Approval was given to accept bequests totalling \$43,299.67, received pursuant to court order from the Estate of Ruth Lee Kennedy, Tucson, Arizona, for the benefit of The University of Texas at Austin.

Further, funds in the amount of \$27,880.49 will be used to establish the Carrie Lee Kennedy Fellowship and funds in the amount of \$15,419.18 will be used to establish The Oliver William Kennedy Fellowship, both in the Department of Spanish and Portuguese, College of Liberal Arts, at U. T. Austin.

Income earned from the Carrie Lee Kennedy Fellowship will be used for fellowship awards to graduate or undergraduate students of exceptionally outstanding ability who are studying the Golden Age of Spanish Literature. Income earned from The Oliver William Kennedy Fellowship will be used to provide fellowship assistance to a graduate student or a faculty member for travel to Spain or other European countries to do research of the Golden Age of Spanish Literature. In any year there is no qualified recipient for either Fellowship, its income will be reinvested in the endowment corpus.

10. U. T. Austin: Acceptance of Gifts from Mr. Cleo H. Key, Santa Ana, California, and Corporate Matching Funds from Ford Motor Company Fund, Dearborn, Michigan, and Establishment of the Cleo H. Key Friend of Alec Excellence Fund in the College of Engineering.--The Asset Management Committee recommended and the Board accepted gifts comprised of General Motors Corporation common stock valued at \$5,248.12 and \$101.25 in cash from Mr. Cleo H. Key, Santa Ana, California, and \$5,000 in corporate matching funds from Ford Motor Company Fund, Dearborn, Michigan, for a total of \$10,349.37 and established the Cleo H. Key Friend of Alec Excellence Fund in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used in accordance with policies established for the Friends of Alec Program by the College of Engineering and the Engineering Foundation Advisory Council. At the donor's request, the yearly fund distribution will be awarded to a deserving student in memory of Mrs. Nora Vaught, Eastland, Texas, friend and mentor of Mr. Key during his years as a student.

11. U. T. Austin: Acceptance of Gifts from Mr. and Mrs. Jon Brumley, Fort Worth, Texas, Staff Members of the Texas Education Agency, Austin, Texas, and Various Donors and Establishment of the W. N. Kirby Endowed Scholarship for Future Teachers in the College of Education.--Upon recommendation of the Asset Management Committee, the Board accepted a \$5,000 gift from Mr. and Mrs. Jon Brumley, Fort Worth, Texas, and gifts totalling \$5,772.66 from staff members of the Texas Education Agency, Austin, Texas, and various donors for a total of \$10,772.66 and established the W. N. Kirby Endowed Scholarship for Future Teachers in the College of Education at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarship support for deserving students seeking initial teacher certification.

12. U. T. Austin: Acceptance of Gifts from Various Donors and Establishment of the Arthur Lockenvitz Memorial Endowed Scholarship in Experimental Physics in the College of Natural Sciences.--The Board accepted \$10,000 in gifts from various donors and established the Arthur Lockenvitz Memorial Endowed Scholarship in Experimental Physics in the Department of Physics, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to support graduate students who are studying experimental physics.

13. U. T. Austin: Authorization to Accept Gifts from Mrs. David L. Miller, Austin, Texas, and Various Donors and to Establish the David L. Miller Graduate Fellowship in Philosophy in the College of Liberal Arts.--Authorization was given to accept a \$6,400 gift from Mrs. David L. Miller, Austin, Texas, and \$5,100 in gifts from various donors for a total of \$11,500 and to establish the David L. Miller Graduate Fellowship in Philosophy in the Department of Philosophy, College of Liberal Arts, at The University of Texas at Austin.

Income earned from the endowment will be used as fellowship support to graduate students in Philosophy selected by the Department of Philosophy on the basis of financial need and academic merit.

14. U. T. Austin: Establishment of the Keith Morrison Endowed Presidential Scholarship in Law in the School of Law.--At the request of the Law School Foundation (an external foundation), the Board established the Keith Morrison Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$30,100) will be held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations.

When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

15. U. T. Austin: Approval to Accept Trust Distributions from the Marian Rather Powell Testamentary Trust and to Establish the Judge Ben H. Powell Award in the School of Law.--The Board, upon recommendation of the Asset Management Committee, accepted distributions totalling \$41,000 from the Marian Rather Powell Testamentary Trust and established the Judge Ben H. Powell Award in the School of Law at The University of Texas at Austin.

Income earned from the endowment will be used within the Endowed Presidential Scholarship Program to benefit students "worthy of assistance or of an award for outstanding scholastic achievement in the field of law."

16. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Republic of Mexico Solidaridad Endowed Presidential Scholarship.--The Asset Management Committee recommended and the Board accepted a \$25,000 transfer of previously reported gifts from current restricted funds and established the Republic of Mexico Solidaridad Endowed Presidential Scholarship at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarship support to students from Mexico. Scholarship awards will be managed by the Office of Student Financial Services in consultation with the appropriate academic departments and centers.

17. U. T. Austin: Approval to Accept Gifts and Pledges from Various Donors and Corporate Matching Fund Pledges from Various Corporations and to Establish the Louis E. Rosier Memorial Undergraduate Scholarship in Computer Sciences in the College of Natural Sciences.--Approval was given to accept \$9,111.82 in gifts and \$650 in pledges, payable by December 31, 1993, from various donors and \$2,620 in corporate matching fund pledges from various corporations for a total of \$12,381.82 and to establish the Louis E. Rosier Memorial Undergraduate Scholarship in Computer Sciences in the Department of Computer Sciences, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide support for deserving undergraduate students who are majoring in computer sciences.

18. U. T. Austin: Establishment of the Judge Bob Shannon Endowed Presidential Scholarship in Law in the School of Law.--Upon recommendation of the Asset Management Committee, the Board, at the request of the Law School Foundation (an external foundation), established the Judge Bob Shannon Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$26,500) will be

held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

19. U. T. Austin: Acceptance of Gift from Justice and Mrs. Oscar Mauzy, Austin, Texas, and Gifts and Pledges from Various Members of the Texas Education Exes and Establishment of the TEXes Alumni Centennial Scholarship Fund for Teachers in the College of Education.--The Board accepted a \$4,583 gift from Justice and Mrs. Oscar Mauzy, Austin, Texas, and \$3,207 in gifts and \$2,210 in pledges, payable by December 31, 1993, from various members of the Texas Education Exes for a total of \$10,000 and established the TEXes Alumni Centennial Scholarship Fund for Teachers in the College of Education at The University of Texas at Austin.

Income earned from the endowment will be reinvested in the endowment corpus until the corpus reaches \$10,000, at which time the income will be used as scholarship support for regularly enrolled graduate or undergraduate students in the College of Education.

20. U. T. Austin: Establishment of the Judge Mace B. Thurman, Jr. Endowed Presidential Scholarship in Law in the School of Law.--The Asset Management Committee recommended and the Board established the Judge Mace B. Thurman, Jr. Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$25,000) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowed Student Fellowship and Scholarship Program, the U. T. Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

21. U. T. Austin: Acceptance of Gift and Pledge from Mr. Jim A. Watson, Dallas, Texas, and Establishment of The Jim Watson Endowed Presidential Scholarship in the School of Law.--Authorization was given to accept a \$10,000 gift and a \$2,500 pledge, payable by February 29, 1992, from Mr. Jim A. Watson, Dallas, Texas, and a \$12,500 transfer of previously reported gifts from current restricted funds for a total of \$25,000 and to establish The Jim Watson Endowed Presidential Scholarship in the School of Law at The University of Texas at Austin.

Income earned from the endowment will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee.

22. U. T. Dallas: Acceptance of Gifts from Various Donors and Establishment of The University of Texas at Dallas Alumni Association Endowed Scholarship Fund.--The Board, upon recommendation of the Asset Management Committee, accepted \$10,000 in gifts from various donors and established The University of Texas at Dallas Alumni Association Endowed Scholarship Fund at The University of Texas at Dallas.

Ninety percent of the income earned from the endowment will be used annually to award a scholarship to an undergraduate or graduate student who is enrolled in at least six semester credit hours and who demonstrates a need for scholarship assistance. Recipients will be selected by the U. T. Dallas Committee on Student Fellowships and Scholarships. The remaining ten percent of income earned will be reinvested in the corpus of the endowment.

23. U. T. Dallas: Acceptance of Transfers of Funds and Accumulated Earnings from the Ethel Stevens Spencer Charitable Trust and Gift from the Foundation for the Callier Center and Communication Disorders, Dallas, Texas; Establishment of the Nelle C. Johnston Chair in Communication Disorders in Children; and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Asset Management Committee recommended and the Board accepted a \$399,000 transfer of a previously accepted trust distribution from the Ethel Stevens Spencer Charitable Trust, \$32,088.02 in accumulated earnings from the Trust distribution, an \$18,911.98 gift from the Foundation for the Callier Center and Communication Disorders, Dallas, Texas, and a \$50,000 transfer of institutional funds from The University of Texas at Dallas for a total of \$500,000 and established the Nelle C. Johnston Chair in Communication Disorders in Children at U. T. Dallas.

Further, the actual income that will be earned on the \$399,000 trust distribution and the \$18,911.98 gift will be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

24. U. T. Southwestern Medical Center - Dallas: Approval to Accept Gift from Dr. Curtis E. Chubb, and His Wife, Ms. Barbara Miller, Carrollton, Texas, and to Establish the Frances Evans Chubb Scholarship Fund.--Upon recommendation of the Asset Management Committee, the Board accepted a \$10,000 gift from Dr. Curtis E. Chubb and his wife, Ms. Barbara Miller, Carrollton, Texas, and established the Frances Evans Chubb Scholarship Fund at The University of Texas Southwestern Medical Center at Dallas.

Income earned from the endowment will be used to award scholarships to first-year medical students who receive all A's in medical school classes, who are not in the M.D.-Ph.D. program, and who are not receiving assistance from another named scholarship.

25. U. T. Southwestern Medical Center - Dallas: Establishment of the James M. Collins Professorship in Biomedical Research.--The Board established the James M. Collins Professorship in Biomedical Research at The University of Texas Southwestern Medical Center at Dallas. The funds for the endowment (\$100,000) will be held and administered by the Southwestern Medical Foundation, Dallas, Texas (an external foundation).

Income earned from the endowment will be used to support the Professorship.

See Page 80 related to an appointment to this Professorship.

26. U. T. Southwestern Medical Center - Dallas: Acceptance of Bequest from the Estate of Ms. Eunice L. Kirven, Dallas, Texas.--Approval was given to accept a bequest of twenty percent of the residual estate of Ms. Eunice L. Kirven, Dallas, Texas, totalling \$19,291.71 to be used for research on Alzheimer's Disease at The University of Texas Southwestern Medical Center at Dallas.

27. U. T. Southwestern Medical Center - Dallas: Redesignation of The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases as the Berta M. and Cecil O. Patterson Chair in Gastroenterology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Asset Management Committee recommended and the Board redesignated The Berta M. and Cecil O. Patterson Professorship for Research in Digestive Diseases as the Berta M. and Cecil O. Patterson Chair in Gastroenterology at The University of Texas Southwestern Medical Center at Dallas. Pledges of \$50,000 from various donors, payable by July 1, 1992, and accumulated income will be added to the current balance of \$425,450.49 for a total endowment of \$500,000.

Further, the actual income that will be earned on all qualifying gifts and pledges, as received, will be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

28. U. T. Southwestern Medical Center - Dallas: Authorization to Accept Accumulated Income and Transfer of Funds and to Redesignate the Professorship in the Brain Sciences as the Communities Foundation of Texas, Inc. Chair in Brain Science.--Authorization was given to accept \$98,000 in accumulated income and a \$152,000 transfer of unrestricted funds from the Department of Psychiatry for a total of \$250,000 for addition to the Professorship in the Brain Sciences at The University of Texas Southwestern Medical Center at Dallas for a total endowment of \$500,000 and the Professorship was redesignated as the Communities Foundation of Texas, Inc. Chair in Brain Science.

See Page 80 related to an appointment to this Chair.

29. U. T. Southwestern Medical Center - Dallas: Acceptance of Gift from Mr. Ben Rosenthal, Sr., Dallas, Texas, and Establishment of the Eva A. Rosenthal Professorship in Internal Medicine, in Honor of Gary Reed, M.D.--The Board, upon recommendation of the Asset Management Committee, accepted a gift of a \$100,000 Tarrant County, Texas, bond valued at \$103,992.78 from Mr. Ben Rosenthal, Sr., Dallas, Texas, and established the Eva A. Rosenthal Professorship in Internal Medicine, in Honor of Gary Reed, M.D., at The University of Texas Southwestern Medical Center at Dallas.

Income earned from the endowment will be used to support the Professorship.

See Page 80 related to an appointment to this Professorship.

30. U. T. Medical Branch - Galveston: Acceptance of Gift from Mrs. Marcel Patterson, Galveston, Texas, and Establishment of The Marcel Patterson, M.D. Lecture in Family Medicine.--Upon recommendation of the Asset Management Committee, the Board accepted a \$10,000 gift from Mrs. Marcel Patterson, Galveston, Texas, and established The Marcel Patterson, M.D. Lecture in Family Medicine at The University of Texas Medical Branch at Galveston.

Income earned from the endowment will be used annually to bring a distinguished practitioner in family medicine to the U. T. Medical Branch - Galveston to address medical students, family medicine residents, and faculty on the art and science of the practice of family medicine.

31. U. T. Medical Branch - Galveston: Acceptance of Gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, and Transfer of Funds for Addition to The John Sealy Memorial Endowment Fund for Biomedical Research (Part A and Part B).--Following opening remarks by President James, the Asset Management Committee recommended and the Board accepted a \$5,000,000 gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, for addition to Biomedical Fund - Part A, and a \$5,000,000 transfer of institutional funds for addition to Biomedical Fund - Part B, for a total of \$10,000,000 for addition to The John Sealy Memorial Endowment Fund for Biomedical Research at The University of Texas Medical Branch at Galveston. The acceptance of this gift and transfer of funds brings the endowment to a total of \$50,000,000.

Distributions from the Fund, as outlined in the previously established Endowment Agreement, will be used to support biomedical research, defined as "all investigative endeavors into the biological and physical systems that relate to the understanding, prevention, and treatment of human diseases and trauma."

On behalf of the Board, Committee Chairman Cruikshank expressed appreciation to The Sealy & Smith Foundation for its most generous and continuing strong support of clinical research and patient care at the U. T. Medical Branch - Galveston.

32. U. T. Health Science Center - Houston: Approval to Accept Gifts from Various Donors; Establishment of the Cecil M. Crigler, M.D. Chair in Urology; and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Approval was given to accept \$400,000 in gifts from various donors and a \$125,000 transfer of previously reported gifts from current restricted funds for a total of \$525,000 and to establish the Cecil M. Crigler, M.D. Chair in Urology at The University of Texas Health Science Center at Houston.

Additionally, the actual income which will be earned on the \$483,400 in gifts received after September 1, 1983, will be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

Income earned from the endowment will be used to support the Chair.

33. U. T. Health Science Center - Houston: Acceptance of Gifts from the Hermann Eye Fund, Houston, Texas, and Various Donors; Establishment of the Walter and Ruth Sterling Professorship in Ophthalmology; and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted a \$70,083 gift from the Hermann Eye Fund, Houston, Texas, and \$30,050 in gifts from various donors for a total of \$100,133 and established the Walter and Ruth Sterling Professorship in Ophthalmology at The University of Texas Health Science Center at Houston.

Additionally, the actual income which will be earned on the \$96,633 in gifts received after September 1, 1983, will be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I of the Texas Education Code, when matching funds are made available under that act.

Income earned from the endowment will be used to support the Professorship.

34. U. T. Health Science Center - San Antonio: Acceptance of Gifts and Pledges from Various Donors and Establishment of The University of Texas Health Science Center at San Antonio Development Board Endowed Fund in Clinical Dentistry.--Authorization was given to accept \$31,924 in gifts and \$6,750 in pledges, payable by December 31, 1991, for a total of \$38,674 from various donors and to establish an endowment in the Dental School at The University of Texas Health Science Center at San Antonio to be named The University of Texas Health Science Center at San Antonio Development Board Endowed Fund in Clinical Dentistry.

Income earned from the endowment will be reinvested in the endowment corpus until the corpus reaches \$100,000, at which time the endowment will be redesignated as a professorship in clinical dentistry.

35. U. T. M.D. Anderson Cancer Center: Approval to Accept Gifts and Pledges from Various Donors and to Establish the Scientific Achievement Endowment Fund.--Upon recommendation of the Asset Management Committee, the Board accepted \$1,228,680 in gifts and \$535,000 in pledges, payable by December 31, 1993, for a total of \$1,763,680 from various donors and established the Scientific Achievement Endowment Fund at The University of Texas M.D. Anderson Cancer Center.

Income earned from the endowment will be pooled with income earned from the Theodore N. Law Endowment for Scientific Achievement and used to provide five equal awards to outstanding junior faculty members to support their research programs. The award will include salary support for the faculty members in addition to maintenance and operational funding for their research program.

36. U. T. M.D. Anderson Cancer Center: Acceptance of Gifts from Various Donors and Establishment of the Hall Everett Timanus, Sr. Endowed Memorial Pancreatic Cancer Fund.--The Asset Management Committee recommended and the Board accepted \$12,595 in gifts from various donors and established a quasi-endowment at The University of Texas M.D. Anderson Cancer Center to be named the Hall Everett Timanus, Sr. Endowed Memorial Pancreatic Cancer Fund.

Income earned from the endowment will be used to support treatment and research on pancreatic cancer.

RECONVENE.--At 11:20 a.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEMS FOR THE RECORD

1. U. T. System: Report on Status of Degree Programs and Academic Organization Requests Approved by the U. T. Board of Regents and Submitted to the Texas Higher Education Coordinating Board for the Period December 1990 Through October 1991.--Following is a report for the record on the status of degree programs and academic organization requests within The University of Texas System which have been approved by the U. T. Board of Regents for submission to the Texas Higher Education Coordinating Board. Included are items which have been acted upon by the Coordinating Board since October 31, 1990; were still pending before the Coordinating Board as of September 10, 1991; or have been withdrawn temporarily from Coordinating Board consideration since October 31, 1990. Only three Coordinating Board meetings have occurred since the last report. Full approval for only two programs was given at the January 1991 meeting of the Coordinating Board. At the April and July meetings, the Coordinating Board, as a matter of statewide policy, approved program requests with the specific restriction that implementation be delayed until statewide funding concerns could be resolved. Those items are listed in section b. below.
 - a. Degree Programs Approved by the Coordinating Board for Implementation
 - U. T. Health Science Center - Houston

Cooperative M.S. in Nursing Degree with U. T. Pan American in the Lower Rio Grande Valley
 - U. T. Health Science Center - San Antonio

Cooperative M.S. in Nursing Degree with U. T. Pan American in the Lower Rio Grande Valley
 - b. Degree Programs Approved by the Coordinating Board with Delayed Implementation
 - U. T. Arlington

Jazz Studies Option Under the Bachelor of Music Degree Options in Music/Business, Music/Theatre, Music/Media under Bachelor of Science in Music
 - U. T. Pan American

B.B.A. in International Business
M.S. in Mathematics
 - U. T. Tyler

M.S. in Mathematics
 - U. T. Medical Branch - Galveston

Master of Physical Therapy in Allied Health Sciences School

c. Requests Approved by the U. T. Board of Regents
and Pending with the Coordinating Board

U. T. Arlington

M.A. in Anthropology

U. T. Austin

M.A. and Ph.D. in Molecular Biology
Ph.D. in Medieval Studies

U. T. El Paso

M.S. in Nurse-Midwifery
Ph.D. in Psychology

U. T. Pan American

B.S. in Nursing
M.S. in Sociology
Separation of Department of Sociology
and Social Work into Two Departments

U. T. San Antonio

M.S. in Management of Technology
Ph.D. in Biology

U. T. Tyler

M.S. in Biology

U. T. Southwestern Medical Center - Dallas

Reorganization of the Graduate School of
Biomedical Sciences

U. T. Health Science Center - Houston

Administrative Units and Program Director
Title Changes in Allied Health Sciences
School

Change Division of Orthopaedic Surgery to
the Department of Orthopaedic Surgery in
the School of Medicine

Futuristic Accelerated Sequence Track (F.A.S.T.)
Leading to a M.S. in Nursing Degree in School
of Nursing

U. T. Health Science Center - San Antonio

Administrative Units and Program Director Title
Changes in Allied Health Sciences School

d. Approved by the U. T. Board of Regents and Yet
to be Submitted to the Coordinating Board

None

e. Requests Approved by the U. T. Board of Regents,
Sent to the Coordinating Board and Withdrawn

U. T. El Paso

M.Ed. in Developmental Education

2. U. T. System: Status Report on Administratively Approved Academic Program Changes.--In accordance with Regentally approved guidelines, certain academic program changes, "nonsubstantive" by Texas Higher Education Coordinating Board terminology, which are consistent with the U. T. Board of Regents and Coordinating Board approved institutional missions, are forwarded by the appropriate Executive Vice Chancellor to the Coordinating Board for approval at the staff level, subject to periodic reporting to the U. T. Board of Regents. Set forth below is a report for the record of 24 such nonsubstantive approvals granted by the Coordinating Board for nine (9) of The University of Texas System general academic and health-related component institutions since August 1990.

U. T. Arlington (3 items)

- a. Name of the Institute of Urban Studies changed to the School of Urban and Public Affairs
- b. Name of the Department of Philosophy changed to the Department of Philosophy and Humanities
- c. Realigned the Department of Social Work by changing administrative responsibility for the Bachelor of Social Work program from the College of Liberal Arts to the Graduate School of Social Work; and changed the name of the Graduate School of Social Work to the School of Social Work, and the name of the Department of Sociology, Anthropology, and Social Work to the Department of Sociology and Anthropology

U. T. Austin (2 items)

- a. Changed the names of the masters and doctoral programs in Middle Eastern and Oriental languages, literatures, and cultures to Master of Arts and Ph.D. degrees with major in Middle Eastern and Asian Languages, Literatures, and Cultures; and added Arabic, Persian, Hebrew, Hindi, Sanskrit, Urdu, Malayalam, Telugu, Chinese and Japanese concentrations
- b. Name of the Department of Drama changed to the Department of Theatre and Dance

U. T. Dallas (2 items)

- a. Name of the Bachelor of Arts in General Studies degree changed to Bachelor of Arts in Interdisciplinary Studies
- b. Name of the Master of Arts in Political Economy degree changed to Master of Public Affairs

U. T. El Paso (2 items)

- a. Name of the Doctor of Geological Sciences degree changed to Doctor of Philosophy in Geological Sciences
- b. A major in Interdisciplinary Studies approved for the Bachelor of Interdisciplinary Studies degree

U. T. Pan American (1 item)

Name of the Department of School Services and Counseling changed to the Department of Educational Psychology

U. T. Permian Basin (1 item)

Name of the Bachelor and Master of Arts degrees in Literature to Bachelor and Master of Arts degrees in English

U. T. San Antonio (4 items)

- a. Name of the Master of Science in Natural Resources degree changed to Master of Science in Environmental Sciences
- b. Bachelor of Fine Arts in Art and Design with a Concentration in Interior Design changed to Bachelor of Science in Interior Design
- c. Bachelor of Fine Arts in Art and Design with a Concentration in Art changed to Bachelor of Fine Arts in Art
- d. Name of the Bachelor of Business Administration in Management with a Concentration in Business Management changed to Bachelor of Business Administration in Management with a Concentration in Leadership and Administration

U. T. Health Science Center - Houston (4 items)

- a. Name of the Department of Microbiology changed to the Department of Microbiology and Molecular Science in the School of Medicine
- b. Division of Emergency Medicine Program established within the Department of Surgery
- c. Established a joint program with Texas Woman's University (TWU) in Pediatric Nurse Practitioner leading at U. T. Health Science Center - Houston to the existing Master of Science in Nursing degree and leading at TWU to the existing Master of Science degree
- d. Separated the educational programs of Medical Technology and Cytogenetics and the length and admission requirements of each

U. T. Health Science Center - San Antonio (5 items)

- a. Allowed U. T. Health Science Center - San Antonio and U. T. Pan American to offer Bachelor of Science in Nursing degree on the campus of U. T. Brownsville
 - b. Authorized Bachelor of Science degrees in Medical Technology, Occupational Therapy and Physical Therapy to be offered independently in addition to the joint program with U. T. San Antonio
 - c. Added a post-baccalaureate Categorical Certificate in Medical Technology
 - d. Name of the Department of Otolaryngology changed to the Department of Otolaryngology-Head and Neck Surgery
 - e. Name of the Department of Physical Medicine and Rehabilitation changed to the Department of Rehabilitation Medicine
3. U. T. System: Report on Equity Ownership/Business Participation for the Fiscal Year 1990-91 [Regents' Rules and Regulations, Part Two, Chapter V, Section 2.48 (Intellectual Property)].--As required by Section 2.48, Chapter V, Part Two of the Rules and Regulations of the Board of Regents of The University of Texas System and Section 51.912 of the Texas Education Code, the report for the record set out on Pages 172 - 175 lists employees of The University of Texas System who hold equity interests in or are directors of business entities that have agreements with the U. T. System relating to research, development, licensing, or exploitation of intellectual property owned by the U. T. System.

This report for the Fiscal Year 1990-91 will be forwarded to Governor Richards and the Legislature as required by State law.

U. T. SYSTEM EQUITY OWNERSHIP/BUSINESS PARTICIPATION REPORT
FISCAL YEAR 1990-91

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Name U. T. Component	Business Entity	Date and Type of Agreement	Amount and Type of Stock	Position Held
G. V. Kondraske UT/ARL	Human Performance Measurement, Incorporated	License from Board of Regents to HPM 8/27/87	50,000,000 shares of common stock	Chief Executive Officer Chairman of the Board of Directors
Joseph J. Beaman UT/AUS	DTM Corporation	Patent License 12/3/87 Sponsored Research 12/1/90	8,000 shares of common stock	Corporate Director
Jeffrey A. Hubbell UT/AUS	Trancel Corporation	Patent and Technology License 9/1/90 Sponsored Research 9/1/90	Option for 15,000 shares of common stock	Consultant
G. Barrie Kifto UT/AUS	Research Applications, Incorporated and Biotect Corporation	Patent License 8/10/89 Sponsored Research 8/10/89	100,000 shares of common stock	Corporate Director and Vice President for Technology
Jonathan L. Sessler UT/AUS	Pharmacyclics, Incorporated	Option Agreement 7/1/91 Sponsored Research 7/1/91	250,000 shares of common stock	Consultant
William F. Weldon UT/AUS	Astec Industries, Incorporated	Patent License 8/10/89 Sponsored Research 8/10/89		Corporate Director

U. T. SYSTEM EQUITY OWNERSHIP/BUSINESS PARTICIPATION REPORT
FISCAL YEAR 1990-91

Name U. T. Component	Business Entity	Date and Type of Agreement	Amount and Type of Stock	Position Held
James M. Gallas UT/SA	Photoprotective Technologies, Incorporated	Assignment of Patent and Know-How 12/17/89	60 percent of stock issued	Chairman of the Board of Directors
K. Lance Gould UTHSC/HOU	Positron Corporation	License 8/14/84	2 percent equity in the form of common, options, and preferred	Member, Board of Directors
John G. Linner UTHSC/HOU	LifeCell Corporation	License 5/6/86	650,000 shares of common stock	
N. A. Mullani UTHSC/HOU	Positron Corporation	License 8/14/84	3.2 percent equity in the form of common, options and preferred	Member, Board of Directors
L. Scott Rodkey UTHSC/HOU	Ampholife Technologies, Incorporated	License 9/1/88	8,000 shares of common stock	
Gregory R. Munday UTHSC/SA	OsteoTex Corporation	Joint Venture 7/27/88 Research 10/1/88	80,000 shares of common stock	President
A. P. Shepherd UTHSC/SA	Avox Systems, Incorporated	License 7/1/90	100% of common stock	President
Kendall O. Smith UTHSC/SA	Kendall Labs, Incorporated	License 1/1/91	100% of common stock	President and Chairman of the Board
A. Khokhar UTMDACC	The Liposome Company	License 1/86	Option for 8,000 shares of common stock	

U. T. SYSTEM EQUITY OWNERSHIP/BUSINESS PARTICIPATION REPORT
FISCAL YEAR 1990-91

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Name U. T. Component	Business Entity	Date and Type of Agreement	Amount and Type of Stock	Position Held
J. Klostergaard UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	366,000 shares of common stock	
G. Lopez-Berestein UTMDACC	The Liposome Company	License 1/86	Options for a total of 22,000 shares of common stock	
G. Lopez-Berestein UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	554,000 shares of common stock	Director
K. Mehta UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	68,500 shares of common stock	
R. Mehta UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	68,500 shares of common stock	
T. Slaga (personally and as a trustee) UTMDACC	LifeScience Corporation	License 8/89	11,620 shares of common stock	
R. Perez-Soler UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	366,000 shares of common stock	
R. Perez-Soler UTMDACC	The Liposome Company	License 1/86	Option for 8,000 common shares of common stock	
W. Priebe UTMDACC	Argus Pharmaceuticals, Incorporated	License and Joint Venture 10/86, 6/88	366,000 shares of common stock	
J. Donald Capra UTSMC/DAL	GeneScreen	License 6/30/87	25,000 shares of Series A preferred stock	

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U. T. SYSTEM EQUITY OWNERSHIP/BUSINESS PARTICIPATION REPORT
FISCAL YEAR 1990-91

4

Name U. T. Component	Business Entity	Date and Type of Agreement	Amount and Type of Stock	Position Held
Robert Munford UTSMC/DAL	ZymoGenetics, Incorporated	Sponsored Research and License 8/1/87	1,000 shares of common stock	
Phil Tucker UTSMC/DAL	GeneScreen	License 6/30/87	25,000 shares of Series A preferred stock	
Austin Long UT SYSTEM	Ampholife Technologies, Incorporated	Exclusive License 9/1/88	8,000 shares of common stock*	Director**
Thomas G. Ricks UT SYSTEM	DTM Corporation	Patent License 12/3/87	200 shares of common stock*	Director**
Thomas G. Ricks UT SYSTEM	Argus Pharmaceuticals, Incorporated	Exclusive License 10/15/86	400,000 shares of common stock*	Director**
Thomas G. Ricks UT SYSTEM	LifeCell Corporation	Exclusive License 6/6/86	650,000 shares of common stock*	Director**

*Held by Board of Regents
**At Request of Board of Regents

4. U. T. Arlington: Report on Membership of Advisory Committee for the Selection of a Chief Administrative Officer (President).--As a result of the planned retirement of Dr. Wendell H. Nedderman as President of The University of Texas at Arlington effective December 31, 1991, the membership of the Advisory Committee for the Selection of a Chief Administrative Officer (President) for U. T. Arlington is herewith reported for the record. This Committee has been constituted pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 12.

Advisory Committee for the Selection
of a Chief Administrative Officer
for
The University of Texas at Arlington

System Administration Representatives

Executive Vice Chancellor for Academic
Affairs James P. Duncan (Chairman)
Chancellor Hans Mark

Board of Regents

Regent W. A. "Tex" Moncrief, Jr.
Regent Ellen C. Temple

Chief Administrative Officers

Dr. William H. Cunningham, President,
The University of Texas at Austin
Dr. Miguel Nevarez, President, The
University of Texas - Pan American

Dean's Representative - U. T. Arlington

Dr. John McElroy, Dean, College of
Engineering

Faculty Representatives - U. T. Arlington

Dr. Jill Clark, Associate Professor of
Political Science
Dr. Rex Crick, Associate Professor of
Geology
Dr. Mark Dunn, Professor of Accounting

Student Representatives

Mr. J. R. Flores
Ms. Linda M. Moffatt

Alumni Association Representative

Ms. Pam Castell

Arlington Community Representatives

Mr. Robert McFarland
Mr. Nathan L. Robinett

Chairman Beecherl expressed appreciation to Regents Moncrief and Temple for agreeing to serve as the Regental representatives on this Committee.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Ramirez, Vice-Chairman of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met at 9:00 a.m. on August 8, 1991, in Austin, Texas, and approved an oil and gas sealed bid sale to be held on May 6, 1992, at 10:00 a.m. in the Midland Hilton Hotel, Midland, Texas.

On September 17, 1991, a call for nominations was mailed by the Board to all the oil and gas operators. Nominations for tracts to be leased must be received on or before November 15, 1991.

Approximately 57,000 acres of Permanent University Fund lands located in Andrews, Crane, Ector, and Pecos Counties that have been involved in litigation since 1983 are now available for leasing.

OTHER MATTERS

1. U. T. System: Report from Student Advisory Group Regarding Publication Entitled "Student Discipline for Scholastic Dishonesty: A Guide for Administrators, Faculty, and Hearing Officers" and Approval of the Publication. --At the request of Chairman Beecherl, Chancellor Mark reported that representatives of The University of Texas System Student Advisory Group were present and called on Ms. Lynne Markgraf, Chair of the Student Advisory Group, for a report on student discipline for scholastic dishonesty within The University of Texas System.

Ms. Markgraf thanked the Board for the opportunity to address the issue of student discipline for scholastic dishonesty and distributed to the Board a publication entitled "Student Discipline for Scholastic Dishonesty: A Guide for Administrators, Faculty, and Hearing Officers." She noted that the Student Advisory Group for the 1990-91 academic year had encouraged the U. T. System Administration to provide a model guide for use by administrators, faculty, and hearing officers in dealing with student discipline for scholastic dishonesty. Ms. Markgraf pointed out that the guide is intended to provide information that will promote fairness in the application of rules and procedures to assure that all students are treated consistently and to minimize the prospect for litigation that may arise out of disciplinary matters.

Ms. Markgraf stated that the students would benefit immeasurably from the adoption of this guide by the Board and urged approval of the publication.

Following a brief discussion including assurance that the publication had been reviewed by the component chief administrative officers and upon motion of Regent Barshop, seconded by Vice-Chairman Ramirez, the Board approved distribution of the publication entitled "Student Discipline for Scholastic Dishonesty: A Guide for Administrators, Faculty, and Hearing Officers" to the component institutions of The University of Texas System. A copy of the publication is on file in the Office of the Board of Regents.

2. U. T. System: Request for Progress Report on the Policy on Contracting with Minority and Female-Owned Small Business Firms (Adopted August 1990).--Regent Holmes requested a progress report on the success of The University of Texas System in increasing minority participation in getting contracts and assuring that the U. T. System does hire subcontractors who are minority vendors. He suggested that the report include where the System has been, how much progress the System has made, and setting some goals on where the System wants to go on this.

In response to this request, Vice Chancellor for Business Affairs Dan Burck indicated that a complete progress report was planned for the December meeting of the Board. In summary, he noted that since the adoption of the policy on contracting with minority and female-owned small businesses last August, the number of minority contractors with whom the U. T. System is doing business has substantially increased. In general, the volume of awards to minority contractors has increased from about 2% to 8% System-wide in the past year. He added that the Office of Facilities Planning and Construction has incorporated language in the standard bid documents to allow the identification of minority subcontractors. Mr. Burck indicated that the U. T. System has in place an aggressive program to implement the Board's policy and that a detailed progress report would be made at the December meeting.

FOUNDATION MATTERS

Ima Hogg Foundation, The Robertson Poth Foundation, and Winedale Stagecoach Inn Fund: Election of Officers and Approval of Minutes.--In accordance with Section 5, Chapter VII, Part One of the Regents' Rules and Regulations, the Board of Regents recessed its meeting to meet independently in its capacity as the Board of Trustees for the Ima Hogg Foundation, The Robertson Poth Foundation, and the Winedale Stagecoach Inn Fund for the purpose of electing officers and approving Minutes of the preceding meetings.

Chairman Beecherl reported that the items related to these three foundations were deferred from the August 1991 meeting of the Board and noted that the Business Affairs and Audit Committee was requested to review the activities of these foundations and to report its findings to the Board. He then called on Regent Loeffler for a report on the review conducted by the Business Affairs and Audit Committee.

Regent Loeffler reported that the Business Affairs and Audit Committee, with all three members present and three other Regents in attendance, held a briefing session on September 10 to generally review the "foundation-like" organizations which are part of The University of Texas System private fund development programs.

He pointed out that the Committee reviewed the several types of foundations which are described and listed in Chapter VII of Part One of the Regents' Rules and Regulations and then had presentations from the U. T. System staff, President Cunningham, and President Holtzman of the Hogg Foundation regarding several of the larger foundations for which the Board has a fiduciary responsibility.

Regent Loeffler noted that while the Business Affairs and Audit Committee is requesting that it be provided with some additional information and that these foundations be reviewed with the Board on a more formal basis than in the past, the Committee is of the opinion that there is in place sufficient program review mechanisms and fiscal controls that the fiduciary responsibility of the Board to these foundations is being appropriately discharged. The Business Affairs and Audit Committee recommended that the organizational matters reflected in the agenda items for the Ima Hogg Foundation, the Winedale Stagecoach Inn Fund, and The Robertson Poth Foundation be considered by the Board.

Following Regent Loeffler's report, the Board unanimously endorsed the election of officers and approved the minutes of the preceding meetings for these three foundations as set forth in the Material Supporting the Agenda. The official minutes of these trust foundations are maintained in the Office of Asset Management.

Chairman Beecherl expressed appreciation to Regent Temple for her efforts in raising the issue of the U. T. Board of Regents' fiduciary responsibility for these three foundations to ensure that the Board is following their original intent or purpose.

RECESS TO EXECUTIVE SESSION.--At 11:30 a.m., the Board recessed to convene in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) to consider those matters set out in the Material Supporting the Agenda.

RECONVENE.--At 3:05 p.m., the Board reconvened in open session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Beecherl reported that the Board had met in Executive Session in Conference Room 3 of E. E. Davis Hall to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes. In response to Chairman Beecherl's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Medical Branch - Galveston: Proposed Settlement of Medical Liability Litigation - Juan Padilla, et al (Withdrawn).--Chairman Beecherl reported that the item related to the proposed settlement of medical liability litigation involving Juan Padilla, et al and The University of Texas Medical Branch at Galveston was withdrawn from consideration.

2. U. T. Health Science Center - Houston: Settlement of Medical Liability Litigation - Ms. Barbara Spalding.--Vice-Chairman Ramirez moved that the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas Health Science Center at Houston the medical liability litigation brought by Ms. Barbara Spalding in accordance with the proposal presented in Executive Session.

Regent Moncrief seconded the motion which prevailed without objection.

3. U. T. Austin - Brackenridge Tract: Authorization to Conclude Negotiations to Sell Section I of the Stratford Hills Subdivision in Austin, Travis County, Texas, and Approval for Executive Vice Chancellor for Asset Management to Execute Documents Related Thereto.--Chairman Beecherl reported that, since the Material Supporting the Agenda was prepared, an item related to the possible sale of real estate associated with the Brackenridge Tract for the benefit of The University of Texas at Austin had been added to the agenda and posted with the Secretary of State.

Vice-Chairman Cruikshank moved that the Executive Director of Endowment Real Estate and his staff be authorized to complete negotiations for sale of Section I of the Stratford Hills Subdivision in Austin, Travis County, Texas, associated with the Brackenridge Tract for the

benefit of U. T. Austin according to the parameters outlined in Executive Session and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sale following approval by the Office of General Counsel.

Regent Moncrief seconded the motion which carried by unanimous vote.

4. U. T. Southwestern Medical Center - Dallas: Authorization to Conclude Negotiations for Major Research Grant and Approval to Execute Documents Related Thereto.-- It was reported that, since the Material Supporting the Agenda was prepared, an item related to a negotiated agreement for the acceptance of a research endowment at The University of Texas Southwestern Medical Center at Dallas had been added to the agenda and posted with the Secretary of State.

Upon motion of Vice-Chairman Cruikshank, seconded by Regent Moncrief, the Chairman of the Board of Regents was authorized to conclude negotiations within the parameters discussed in Executive Session to bring a major research grant to the U. T. Southwestern Medical Center - Dallas and to execute related documents following approval by appropriate System Administration officials.

5. U. T. System: Approval of Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1992, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Appropriate Editorial Corrections Therein.--Regent Loeffler moved that the personnel aspects of the 1992 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds and Medical and Dental Services, Research and Development Plans for The University of Texas System be approved.

Regent Loeffler further moved that the Chancellor be authorized to make editorial corrections in these budgets and that subsequent adjustments be reported to the U. T. Board of Regents through the institutional dockets.

Regent Moncrief seconded the motions which prevailed by unanimous vote.

See Page 31 for approval of non-personnel aspects of the 1992 Operating Budgets.

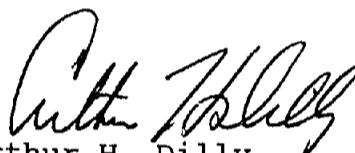
SCHEDULED MEETINGS.--Chairman Beecherl announced that the next meeting of the U. T. Board of Regents would be held on December 5, 1991, at The University of Texas Health Science Center at Houston.

It was ordered that the meetings of the U. T. Board of Regents for the calendar year 1992 be scheduled as set forth below:

<u>Dates</u>	<u>Locations/Hosts</u>
February 13, 1992	U. T. Tyler
April 9, 1992	U. T. San Antonio
June 11, 1992	U. T. Austin
August 13, 1992	Regents' Room, Austin
October 9, 1992	U. T. Dallas
December 3, 1992	Regents' Room, Austin

Chairman Beecherl also reminded the Board that the dedication ceremony for the Robert F. McDermott Clinical Science Building at The University of Texas Health Science Center at San Antonio was scheduled for October 23, 1991.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 3:10 p.m.


Arthur H. Dilly
Executive Secretary

October 17, 1991