

Meeting No. 813

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

VOLUME XXXIII - B

Pages 1 - 404

December 5-6, 1985

Odessa, Texas

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 OF
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MEETING NO. 813

THURSDAY, December 5, 1985.--The members of the Board of Regents of The University of Texas System convened in regular session at 1:30 p.m. on Thursday, December 5, 1985, in the Dining Room Area of the Student Lounge in the Classroom Building at The University of Texas of the Permian Basin, Odessa, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Hay, presiding	
Vice-Chairman Baldwin	
Vice-Chairman Ratliff	
Regent Blanton	
Regent (Mrs.) Briscoe	
Regent (Mrs.) Milburn	
Regent Rhodes	
Regent Roden	
Regent Yzaguirre	
Executive Secretary Dilly	
Chancellor Mark	
Executive Vice Chancellor Duncan	
Executive Vice Chancellor Mullins	
Executive Vice Chancellor Patrick	

Chairman Hay announced a quorum present and called the meeting to order.

WELCOME BY DR. DUANE LEACH, PRESIDENT OF THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN.--Chairman Hay stated that the Board was pleased to be meeting in Odessa and then called on Dr. Duane Leach, President of The University of Texas of the Permian Basin (the host institution).

On behalf of the faculty, staff and students of The University of Texas of the Permian Basin, President Leach welcomed the members of the Board and other guests to Odessa. In view of the Regents' full agenda, President Leach elected to forego the usual institutional presentation.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON OCTOBER 10-11, 1985, AND SPECIAL MEETING HELD ON OCTOBER 24, 1985.--Upon motion of Vice-Chairman Ratliff, seconded by Regent Blanton, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on October 10-11, 1985, in Arlington, Texas, and the Minutes of the special meeting held on October 24, 1985, in Dallas, Texas, were approved as distributed by the Executive Secretary. The official copies of these Minutes are recorded in the Permanent Minutes, Volume XXXIII, Pages 1 - 852.

INTRODUCTION OF FACULTY AND STUDENT REPRESENTATIVES.--Chairman Hay called on the chief administrative officers of the component institutions to introduce their respective faculty and student representatives and other guests:

U. T. Arlington

President Nedderman introduced:

Faculty Representative: Dr. Anson Shupe, Vice-Chairman, Faculty Senate

U. T. Austin

President Cunningham introduced:

Faculty Representative: Dr. David Bourell, Vice-Chairman, Faculty Senate

Student Representative: Ms. Ellen Williams
General Reporter,
The Daily Texan

U. T. Dallas

President Rutford introduced:

Faculty Representatives: Dr. Robert Corrigan, Dean
School of Arts and
Humanities

Dr. Cy Cantrell, Speaker
of the Faculty

U. T. El Paso

In the excused absence of President Monroe, Mr. Wynn Anderson, Assistant to the President, introduced:

Faculty Representative: Dr. James Day, Secretary
of the Faculty Senate

U. T. Permian Basin

President Leach introduced:

Faculty Representative: Dr. Edwin Kurtz, President
Faculty Senate

Student Representative: Ms. Lily Tercero, President
Student Senate

U. T. San Antonio

President Wagener introduced:

Faculty Representative:

Dr. Richard J. Harris
Associate Professor,
Division of Social
and Policy Sciences

Student Representative:

Ms. Barbara Hoffman
Junior American Studies
Major and Vice
President of the
Student Representa-
tive Assembly

U. T. Tyler

President Hamm introduced:

Student Representative:

Miss Kay Buchanan
President, Student
Association

U. T. Medical Branch - Galveston

President Levin introduced:

Faculty Representative:

Dr. Bruce Niebuhr, Associate Professor,
Department of Physicians' Assistants
Studies, U. T. Allied
Health Sciences
School - Galveston

U. T. Health Science Center - San Antonio

President Howe introduced:

Faculty Representative:

Richard Carr, Jr., D.D.S.
Associate Dean, Student
Affairs, U. T.
Dental School - San
Antonio

Student Representative:

Mr. Thomas Culwell
Semester III Nursing
Student, President
of Nursing School
Student Body Association

U. T. Cancer Center

President LeMaistre introduced:

Faculty Representative:

David Allen Swanson, M.D.,
Deputy Department
Chairman, Department
of Urology

Student Representative:

Roger Dmochowski, M.D.
Resident in Department
of Urology

SPECIAL ITEM

U. T. System: Approval of Resolution and Related Instruments Authorizing Issuance of Permanent University Fund Obligations in Aggregate Amount Not to Exceed \$100,000,000 in the Form of Commercial Paper Notes, Variable Rate Notes, and a Revolving Credit Note; Appointment of McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston, Texas, as Co-bond Counsel; Appointment of Goldman Sachs & Co., New York, New York, as Dealer/Remarketing Agent; Appointment of Morgan Guaranty Trust Company, New York, New York, as Paying Agent/Registrar and Tender Agent; Authorization for Executive Vice Chancellor for Asset Management to Establish Accounts for Miscellaneous Costs; and Approval to Repeal Resolution Adopted by the Board in February 1985.--Chairman Hay called on Executive Vice Chancellor for Asset Management Patrick to review the recommendations related to a financing program that includes the issuance of \$100 million in Permanent University Fund debt instruments in the form of commercial paper notes, variable rate notes and a revolving credit note.

Following a detailed presentation and discussion, the Board, upon motion of Regent Milburn, seconded by Regent Roden:

- a. Approved the Resolution (1) authorizing the issuance of obligations in an aggregate principal amount not to exceed \$100,000,000 to provide financing to pay Project Costs for Eligible Projects; (2) authorizing such obligations to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving credit note, and prescribing the terms, features and characteristics of such instruments; (3) approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; (4) making certain covenants and agreements in connection therewith; and (5) resolving other matters incident and related to the issuance, sale, security and delivery of such obligations, substantially in the form set forth in Attachment A

Coincident with the approval of the Resolution (Attachment A), the Board also approved the documents substantially in the form set forth in the Exhibits listed below:

- Exhibit A, Credit Agreement (Page 83)
- Exhibit B, Trust Agreement (Page 142)
- Exhibit C, Paying Agent/Registrar Agreement (Page 150)
- Exhibit D, Remarketing Agreement (Page 158)
- Exhibit E, Official Notice of Sale and Bidding Instructions (Page 163)
- Exhibit F, Official Statement (Page 170)

- b. Appointed McCall, Parkhurst & Horton of Dallas, Dallas County, Texas, and Vinson & Elkins of Houston, Harris County, Texas, as co-bond counsel
- c. Appointed Goldman Sachs & Co., New York, New York, as Dealer/Remarketing Agent
- d. Appointed Morgan Guaranty Trust Company, New York, New York, as Paying Agent/Registrar and Tender Agent

Vice-Chairman Ratliff abstained from voting on this matter due to a possible conflict of interest.

- e. Appointed the following positions in U. T. System Administration, or their successors in function, as Authorized Representatives pursuant to the terms of the Resolution and its exhibits:
- (1) Executive Vice Chancellor for Asset Management
 - (2) Manager of Debt Administration
 - (3) Director of Asset Strategy and Planning
 - (4) Vice Chancellor and General Counsel
 - (5) Manager of Endowment Real Estate
- f. Authorized the Executive Vice Chancellor for Asset Management to establish an appropriate account or accounts for the payment of Bond Counsel, Dealer, Paying Agent/Registrar fees, and other miscellaneous costs out of bond proceeds
- g. Repealed that certain Resolution adopted at Meeting Number 807, February 1985, found in the bound Minutes of that meeting and captioned as follows: "RESOLUTION MAKING COVENANTS AS TO THE INVESTMENT OF THE PERMANENT UNIVERSITY FUND IN CONNECTION WITH PERMANENT UNIVERSITY FUND BONDS AND NOTES AND COVENANTING TO MAKE PROMPT TRANSFER OF INCOME TO THE TEXAS A&M UNIVERSITY SYSTEM OF ITS PART OF THE INCOME FROM THE PERMANENT UNIVERSITY FUND"

It was noted that financing eligible projects with variable rate bonds will enable the U. T. Board of Regents to borrow at short term rates substantially below those of fixed rate twenty (20) year serial bonds. The financing program envisions bonds with a final maturity not to exceed 30 years and a lien subordinate to the Refunding Bonds and any Additional Parity Bonds. Interest rate options would include (a) commercial paper rates (from 1 to 270 days), (b) variable rates computed on a flexible, daily, weekly, monthly, quarterly, semi-annual, or term basis, and (c) conversion to a fixed rate basis. The notes would be sold and remarketed through a remarketing agent and delivered and paid through a New York paying and tender agent.

12/4/85

ATTACHMENT A

A RESOLUTION approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$100,000,000 (except for a promissory note which may be in the principal amount of \$109,000,000) to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms, features and characteristics of such instruments; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security and delivery of such obligations, including the approval of an Issuing and Paying Agent/Registrar Agreement, Credit Agreement, Trust Agreement with the Texas State Treasurer, Official Statement and Remarketing Agreement; and providing an effective date.

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EXHIBITS

- Exhibit A Credit Agreement
- Exhibit B Trust Agreement
- Exhibit C Paying Agent Agreement
- Exhibit D Remarketing Agreement
- Exhibit E Bid Forms

DRAFT 12/4/85

A RESOLUTION approving and authorizing the issuance of obligations in an aggregate principal amount at any one time outstanding of not to exceed \$100,000,000 (except for a promissory note which may be in the principal amount of \$109,000,000) to provide interim financing to pay Project Costs for Eligible Projects; authorizing such obligations to be issued, sold and delivered in various forms, including commercial paper notes, variable rate notes and a revolving note, and prescribing the terms, features and characteristics of such instruments; approving and authorizing certain authorized officers and employees to act on behalf of the Board of Regents of The University of Texas System in the selling and delivery of such obligations, within the limitations and procedures specified herein; making certain covenants and agreements in connection therewith; resolving other matters incident and related to the issuance, sale, security and delivery of such obligations, including the approval of an Issuing and Paying Agent/Registrar Agreement, Credit Agreement, Trust Agreement with the Texas State Treasurer, Official Statement and Remarketing Agreement; and providing an effective date.

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") hereby determines to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code) to provide interim financing for Eligible Projects (hereinafter defined); and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984 (the "1984 Constitutional Amendment") authorizes the Board to issue bonds and notes not to exceed a total amount of twenty percent of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined) (exclusive of real estate) at the time of issuance thereof, and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal and interest of those bonds and notes, for the purpose of

acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under such section or prior law, at or for the System administration and certain component institutions of the System; and

WHEREAS, the Board has issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985 pursuant to the 1984 Constitutional Amendment, being payable from and secured by a first lien on and pledge of the Interest of the University (hereinafter defined) in the Available University Fund; and

WHEREAS, the Board hereby finds that the purposes for which the Board may issue bonds and notes constitute a "public utility", as contemplated by Article 717q, V.A.T.C.S., as amended; and

WHEREAS, the Board intends to fund or refund the herein authorized interim obligations through the issuance of its bonds or notes pursuant to the Constitutional Amendment (hereinafter defined); and

WHEREAS, arrangements relating to such interim financing have been settled and the Board hereby finds and determines that the issuance of obligations, including commercial paper notes, variable rate notes, and a promissory note, subject to the terms, conditions, and limitations hereinafter prescribed, should be approved and authorized at this time; now, therefore,

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

ARTICLE I

DEFINITIONS

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

"Acts" shall mean, collectively, Article 717q, V.A.T.C.S., as amended, and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code).

"Advances" shall have the same meaning given said term in the Agreement.

"Agreement" or "Credit Agreement" shall mean the Credit Agreement approved and authorized to be entered into by Section 2.05, as from time to time amended or supplemented, or other credit facility provided in lieu thereof in accordance with the provisions of Section 6.04(a).

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: the Executive Vice Chancellor for Asset Management, the Vice Chancellor and General Counsel, the Director of Asset Strategy and Planning, the Manager of Debt Administration, and the Manager of Endowment Real Estate or such other officer or employee of the System authorized by the Board to act as an Authorized Representative.

"Available University Fund" shall mean, as provided in the Constitutional Amendment, all of the dividends, interest, and other income from the Permanent University Fund (less administrative expenses), including the net income attributable to the surface of Permanent University Fund land.

"Bank" shall mean MBank Dallas, N.A., Dallas, Texas, a national banking association or any subsequent lender which becomes a party to the Agreement.

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

"Bond Counsel" shall mean Messrs. McCall, Parkhurst & Horton, and Messrs. Vinson & Elkins.

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

"Business Day" shall mean any day (a) when banks are open for business in Dallas, Texas, and Austin, Texas and (b) when banks are not authorized to be closed in New York, New York.

"Commercial Paper Note" shall mean a Note issued pursuant to the provisions of this Resolution, having the terms and characteristics specified in Section 2.03 and in the form described in Section 2.07(a).

"Constitutional Amendment" shall mean the 1984 Constitutional Amendment, and any amendment thereto or any other amendment to the Constitution of the State of Texas relating to the Permanent University Fund hereafter approved by the voters of the State of Texas.

"Conversion Date" shall mean: (a) when used with respect to the Fixed Rate, the Fixed Rate Conversion Date; (b) when used with respect to any particular type of Variable Rate Period, the Daily Rate Conversion Date, the Weekly Rate Conversion Date, the Monthly Rate Conversion Date, the Quarterly Rate Conversion Date, the Semiannual Rate Conversion Date, and the Term Rate Conversion Date, as applicable; and (c) when used with respect to Flexible Rate Periods, the Flexible Rate Conversion Date.

"Daily Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Daily Rate pursuant to Section 3.02(h) or (i).

"Daily Rate" shall mean the interest rate to be determined for the Variable Rate Notes on each Business Day pursuant to Section 3.02(b).

"Daily Rate Period" shall mean the period during which the Variable Rate Notes bear interest at a Daily Rate pursuant to Section 3.02(b), commencing on a Business Day and extending to but not including the next Business Day.

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

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

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

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

"Fixed Rate" shall mean the rate at which the Variable Rate Notes shall bear interest from and including the Fixed Rate Conversion Date to the maturity date thereof.

"Fixed Rate Conversion Date" shall mean the date on which the Variable Rate Notes are converted to bear interest at the Fixed Rate pursuant to Section 3.04 which Fixed Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is made or in the event of conversion from Flexible Rate Periods, the day following an Interest Payment Date on which interest is payable on all Variable Rate Notes.

"Fixed Rate Period" shall mean the period during which the Variable Rate Notes bear interest at the Fixed Rate.

"Flexible Rate" shall mean, when used with respect to any particular Variable Rate Notes, the interest rate determined for each Flexible Rate Period applicable thereto pursuant to Section 3.03.

"Flexible Rate Conversion Date" shall mean the date on which the Variable Rate Notes first begin to bear interest at Flexible Rates which Flexible Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g).

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

"Fund Priority Obligations" shall mean the Series 1985 Bonds and any other obligations issued by the Board pursuant to the Constitutional Amendment which are secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes.

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

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

"Interest Payment Date" shall mean (a) when used with respect to Variable Rate Notes bearing interest at the Daily, Weekly or Monthly Rate, the first Business Day of each calendar month to which interest at such rate has accrued; (b) when used with respect to Variable Rate Notes bearing interest at the Quarterly Rate, the first Business Day of the third calendar month following the month in which the Quarterly Rate Conversion Date occurs and the first Business Day of each third calendar month thereafter to which interest at such rate has accrued; (c) when used with respect to Variable Rate Notes bearing interest at the Semiannual Rate or Term Rate or Fixed Rate, the first day of the sixth calendar month following the month in which the Semiannual, Term or Fixed Rate Conversion Date occurs and the first day of each sixth month thereafter to which interest at such rate has accrued; and (d) when used with respect to any particular Variable Rate Note bearing interest at a Flexible Rate, the last day of each Flexible Rate Period applicable thereto.

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

"Investment Company" shall mean an open-end diversified management investment company registered under the Investment Company Act of 1940, as amended.

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

"Maximum Interest Rate" shall mean the lesser of (a) 15% per annum and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (prescribed by Article 717k-2, V.A.T.C.S., as amended, or any successor provision).

"Maximum Maturity Date" shall mean December 1, 2015.

"Monthly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a monthly basis pursuant to Section 3.02(d).

"Monthly Rate Conversion Date" shall mean the day (which is also an Interest Payment Date) on which the Variable Rate Notes first bear interest at a Monthly Rate pursuant to Section 3.02(h) or (i).

"Monthly Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Monthly

Rate commencing on the first Business Day of each calendar month and ending on the last day prior to the first Business Day of the following month.

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

"1985 Constitutional Amendment Bond Resolution" shall mean the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds.

"1984 Constitutional Amendment" shall mean the amendment to Section 18 of Article VII of the Constitution of the State of Texas approved by the voters on November 6, 1984.

"Note" or "Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to this Resolution and shall include Commercial Paper Notes, Variable Rate Notes, or the Revolving Note as appropriate.

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

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

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

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

reimbursement for such Project Costs attributable to Eligible Projects incurred prior to the issuance of any Project Notes.

"Project Note" shall mean, as appropriate, a Note or all the Notes other than the Revolving Note.

"Quarterly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a quarterly basis pursuant to Section 3.02(e).

"Quarterly Rate Conversion Date" shall mean the date on which the Variable Rate Notes first bear interest at a Quarterly Rate pursuant to Section 3.02(h) or (i).

"Quarterly Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Quarterly Rate (a) commencing initially on a Quarterly Rate Conversion Date and (b) ending on the last day preceding either the commencement date of the following Quarterly Rate Period or the Conversion Date on which a different Rate Period shall become effective.

"Rate Period" shall mean the period during which a particular rate of interest determined for the Variable Rate Notes is to remain in effect pursuant to Article III.

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

"Registration Books" shall mean the books or records relating to the registration, payment and transfer or exchange of the Project Notes maintained by the Issuing and Paying Agent pursuant to Section 2.10.

"Regular Record Date" shall mean the close of business on the (a) Business Day immediately preceding the Interest Payment Date in the case of Variable Rate Notes bearing interest at Flexible, Daily, Weekly, Monthly, and Quarterly Rates and (b) fifteenth (15th) day of the month immediately preceding the Interest Payment Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates or at the Fixed Rate.

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

"Revolving Note" shall mean the refunding promissory bond issued pursuant to the provisions of this Resolution and the Agreement in evidence of Advances made by the Bank under the Agreement to refund a Project Note or Notes, or the interest thereon, having the terms and characteristics

contained therein and issued in accordance therewith, including any renewals or modifications thereof.

"Semiannual Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a semiannual basis pursuant to Section 3.02(f).

"Semiannual Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Semiannual Rate pursuant to Section 3.02(h) or (i).

"Semiannual Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Semiannual Rate.

"Series 1985 Bonds" shall mean The Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985, dated October 15, 1985, and issued in the aggregate principal amount of \$345,970,000.

"Short Term Obligations" shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes) payable from the same sources, or any portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

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

"Standard & Poor's" or "S&P" shall mean Standard & Poor's Corporation or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the Board.

"Term Rate" shall mean the interest rate to be determined for the Variable Rate Notes of a term of one or more years pursuant to Section 3.02(g).

"Term Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Term Rate pursuant to Section 3.02(h) or (i).

"Term Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a Term Rate.

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

"Variable Rate" shall mean, as the context requires, the Daily, Weekly, Monthly, Quarterly, Semiannual, or Term Rate applicable to Variable Rate Notes.

"Variable Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Variable Rate pursuant to Section 3.02(h) or (i).

"Variable Rate Note" shall mean a Note issued pursuant to the provisions of this Resolution, having the terms and characteristics specified in Section 2.04 and Articles III and IV and in substantially the form described in Section 2.07(b).

"Variable Rate Period" shall mean each period during which the Variable Rate Notes bear interest at a specific Variable Rate.

"Weekly Rate" shall mean the interest rate to be determined for the Variable Rate Notes on a weekly basis pursuant to Section 3.02(c).

"Weekly Rate Conversion Date" shall mean the day on which the Variable Rate Notes first bear interest at a Weekly Rate pursuant to Section 3.02(h) or (i).

"Weekly Rate Period" shall mean the period during which the Variable Rate Notes bear interest at a Weekly Rate.

Section 1.02. Construction of Terms Utilized in this Resolution. If appropriate in the context of this Resolution, words of the singular number shall be considered to include the plural, words of the plural number shall be considered to include the singular, and words of the masculine, feminine, or neuter gender shall be considered to include the other genders.

ARTICLE II

AUTHORIZATION OF NOTES

Section 2.01. General Authorization. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly the Constitutional Amendment and the Acts, Project Notes shall be and are hereby authorized to be issued in an aggregate principal amount not to exceed ONE HUNDRED NINE MILLION DOLLARS (\$109,000,000) at any one time outstanding for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund Notes, including interest thereon; and a refunding bond herein called the Revolving Note shall be and is hereby authorized to be

issued in an aggregate principal amount not to exceed One Hundred Nine Million Dollars (\$109,000,000) at any one time outstanding for the purpose of refunding Project Notes, including interest thereon, and evidencing Advances under the Agreement relating thereto; all in accordance with and subject to the terms, conditions, and limitations contained herein and, with respect to the Revolving Note, in the Agreement. For purposes of this Section 2.01, any portion of outstanding Notes to be paid from money on deposit in the Series A Note Payment Fund or the Special System Account and from the available proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligations of the Board issued pursuant to the Constitutional Amendment on the day of calculation shall not be considered outstanding.

Section 2.02. Terms Applicable to Notes - General. Subject to the limitations contained herein, Commercial Paper Notes herein authorized shall be dated as of their date of issuance or prior thereto, but within 30 days of the date of issuance as determined herein or as otherwise determined by an Authorized Representative, and Variable Rate Notes herein authorized shall be dated as of the date of original issuance of such Variable Rate Notes (the "Note Date"), and Project Notes shall bear no interest or bear interest at such rate or rates (either fixed, variable, floating, adjustable, or otherwise) per annum computed either on the basis of (i) actual days elapsed and on a 365-day year, or (ii) a 360-day year composed of twelve 30-day months (but in no event in any case to exceed the Maximum Interest Rate in effect on the date of issuance thereof), as provided herein or otherwise as may be determined by an Authorized Representative, and shall mature on or prior to the Maximum Maturity Date. Subject to the provisions of Articles III and IV, an Authorized Representative may establish a formula, index or other method for establishing the interest rates.

Project Notes issued hereunder may contain terms and provisions for the redemption or prepayment thereof prior to maturity, subject to any applicable limitations contained herein, as provided herein or otherwise as shall be determined by an Authorized Representative.

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

The Project Notes shall be issued in registered form, without coupons, provided, however, Commercial Paper Notes may be registered to bearer. Both principal of and interest on the Project Notes shall be payable in the manner provided in Section 2.07 for Commercial Paper Notes and Variable Rate Notes, respectively.

The selection and appointment of Morgan Guaranty Trust Company of New York, New York, New York to serve as Paying Agent/Registrar for the Project Notes is hereby confirmed and the Board covenants and agrees to keep and maintain the Registration Books at the principal corporate office of the Paying Agent/Registrar, all as provided herein and pursuant to such reasonable rules and regulations as the Paying Agent/Registrar may prescribe. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Project Notes are outstanding, which shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any State and authorized under such laws to exercise trust powers. Should a change in the Paying Agent/Registrar for the Project Notes occur, the Board agrees to promptly cause a written notice thereof to be (i) sent to each Registered Owner of the Project Notes then outstanding by United States Mail, first class, postage prepaid and (ii) published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two calendar weeks, provided, however, the publication of such notice shall not be required if notice is given to each Holder. Such notice shall give the address of the successor Paying Agent/Registrar. A successor Paying Agent/Registrar may be appointed without the consent of the Holders.

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

Section 2.03. Commercial Paper Notes. Under and pursuant to the authority granted hereby and subject to the limitations contained herein, Commercial Paper Notes to be designated "Board of Regents of The University of Texas System Permanent University Fund Commercial Paper Notes, Series A" are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000, numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due

and payable on such dates as an Authorized Representative shall determine at the time of sale; provided, however, that no Commercial Paper Note shall (i) mature after the Maximum Maturity Date or (ii) have a term in excess of 270 days.

Interest, if any, on Commercial Paper Notes shall be payable at maturity with principal.

Section 2.04. Variable Rate Notes. Under and pursuant to authority granted hereby and subject to the limitations contained herein, Variable Rate Notes to be designated "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A", are hereby authorized to be issued and sold and delivered from time to time in such principal amounts as determined by an Authorized Representative, such Variable Rate Notes to be in denominations provided in the Form of Variable Rate Notes in Section 2.07(b), to be numbered in ascending consecutive numerical order in the order of their issuance and to mature and become due and payable on the date selected by an Authorized Representative in accordance with this Resolution but not later than the Maximum Maturity Date. Variable Rate Notes shall be payable and subject to purchase on demand of the Holder and redemption prior to maturity under the terms and conditions and at the redemption price or prices as set forth in Section 2.07(b) and Articles III and IV or as otherwise determined by an Authorized Representative; provided, however, any premium associated with a redemption prior to maturity of a Variable Rate Note shall not exceed three percent (3%) of the principal amount thereof.

Variable Rate Notes are hereby authorized to be issued bearing interest at a variable, floating, or adjustable rate not to exceed the Maximum Interest Rate and interest thereon shall be payable at maturity and at such intervals prior to maturity all as determined in accordance with the provisions of Articles III and IV and in the form of Variable Rate Notes set forth in Section 2.07(b).

To exercise its option to redeem Variable Rate Notes, the Authorized Representative shall deliver notice to the Paying Agent of its intention to redeem the Variable Rate Notes (a) with respect to Variable Rate Notes bearing interest at Flexible, Daily, Weekly, or Monthly Rates at least twelve (12) days prior to the proposed redemption date; and (b) with respect to Variable Rate Notes bearing interest at Quarterly, Semiannual or Term Rates or at a Fixed Rate at least thirty five (35) days prior to the proposed redemption date. The Paying Agent shall cause notice of any redemption of Variable Rate Notes to be mailed to each Registered Owner of Variable Rate Notes to be redeemed at the respective addresses appearing in the Registration Books. If such notice shall (i) be mailed at least ten (10) days prior to

the redemption date with respect to Variable Rate Notes bearing interest at Flexible, Daily, Weekly, or Monthly Rates and at least thirty (30) days prior to the redemption date with respect to Variable Rate Notes bearing interest at Quarterly, Semiannual, or Term Rates or at a Fixed Rate, (ii) identify the Variable Rate Notes to be redeemed (specifying the CUSIP numbers (as defined herein), if any, assigned to the Variable Rate Notes), (iii) specify the redemption date and the redemption price, and (iv) state that (a) on the redemption date the Variable Rate Notes called for redemption will be payable at the principal corporate trust office of the Paying Agent, (b) from the redemption date interest will cease to accrue, and (c) no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Variable Rate Notes, and, if due provision for the payment of the redemption price is made, then the Variable Rate Notes which are to be redeemed thereby automatically shall be deemed to have been redeemed prior to their scheduled maturities, and they shall not bear interest after the redemption date, and they shall not be regarded as being outstanding except for the right of the Registered Owner thereof to receive the redemption price from the Paying Agent. No defect affecting any Variable Rate Notes, whether in the notice of redemption or mailing thereof (including any failure to mail such notice) shall affect the validity of the redemption provisions for any other Variable Rate Notes.

Section 2.05. Credit Agreement. The Agreement, substantially in the form attached hereto as Exhibit A, is hereby approved, and shall be entered into with the Bank. The form of Revolving Note contained in the Agreement is also approved, including the interest rate to be determined as set forth therein. The Chairman of the Board and the Executive Secretary of the Board are hereby authorized to execute and deliver the Agreement and the Chairman of the Board and the Executive Secretary of the Board are hereby authorized and directed to execute and deliver the Revolving Note and any other documents called for thereunder and the Executive Secretary of the Board is authorized to place the Board seal on such instruments.

Section 2.06. Revolving Note. Under and pursuant to authority granted hereby and by the Agreement and subject to the limitations contained herein and in the Agreement, the Revolving Note to be designated "Board of Regents of The University of Texas System Credit Agreement Promissory Note" is hereby authorized to refund outstanding Notes and interest thereon in accordance with the terms of this Resolution, the Agreement and the form of Revolving Note set forth in Exhibit A to the Agreement.

Section 2.07. Forms of Project Notes. The Project Notes and the Certificate of Authentication to appear on each of the Project Notes shall be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Resolution and may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Banks Association) ("CUSIP" numbers) and such legends and endorsements thereon as may, consistently herewith, be approved by an Authorized Representative. Any portion of the text of any Project Notes may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Project Notes.

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

(a) Form of Commercial Paper Note:

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

Note Number _____ Interest Rate _____ Note Date _____ \$ _____

On _____ (the "Maturity Date") for value received, THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board")

Promises To Pay To The Order Of _____
The Principal Sum Of _____
Payable At _____
(the "Issuing and Paying Agent").

on the Maturity Date specified above, and to pay interest, if any, on said principal amount specified above at said Maturity Date, from the above specified Note Date to said Maturity Date at the per annum Interest Rate shown above (computed on the basis of actual days elapsed and a 365-day year) solely from the sources hereinafter identified and as hereinafter stated; both principal and interest on this Commercial Paper Note being payable in immediately available lawful money of the United States of America at the principal corporate office of the Issuing and Paying Agent specified above, or its successor. No interest will accrue on the principal amount hereof after said Maturity Date.

This Commercial Paper Note is one of an issue of commercial paper notes (the "Commercial Paper Notes") which, together with other forms of obligations, including the below-referenced Revolving Note (such other obligations and the Commercial Paper Notes being hereinafter collectively referred to as the "Notes"), has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board, an agency and political subdivision of the State of Texas, for the purpose of financing Project Costs of Eligible Projects (each as defined in the Resolution) and to refinance, renew, or refund the Notes issued pursuant to the provisions of the Resolution; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended, and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code).

This Commercial Paper Note, together with the other Notes, is payable from and equally secured by (i) the proceeds from (a) the sale of the Fund Priority Obligations, Short Term Obligations (each as defined in the Resolution) or other obligations of the Board under the Constitutional Amendment (as defined in the Resolution) issued for such purpose and (b) the sale of Project Notes (as defined in the Resolution) issued pursuant to the Resolution for such purpose, (ii) Advances under the Credit Agreement (each as defined in the Resolution), (iii) the amounts held in the Series A Note Payment Fund and the Special System Account (each as defined in the Resolution), and (iv) the Interest of the University in the Available University Fund (each as defined in the Resolution), such lien on and pledge of the Interest of the University in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the payment of the Fund Priority Obligations now outstanding and hereafter issued by the Board.

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

It is hereby certified and recited that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this Commercial Paper Note, do exist, have happened, and have been performed in regular

and in due time, form, and manner as required by law and that the issuance of this Commercial Paper Note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Resolution.

This Commercial Paper Note has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This Commercial Paper Note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Commercial Paper Note shall have been authenticated by the execution by the Issuing and Paying Agent of the Certificate of Authentication hereon.

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

BOARD OF REGENTS OF THE UNIVERSITY
TEXAS SYSTEM

Chairman

ATTEST:

Executive Secretary

(SEAL)

ISSUING AND PAYING AGENT'S
CERTIFICATE OF AUTHENTICATION

This Commercial Paper Note is one of the Commercial Paper Notes delivered pursuant to the within-mentioned Resolution.

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
as Issuing and Paying Agent

By _____
Countersignature

(b) Form of Variable Rate Note.

\$ _____ Number _____

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

Interest Rate	Maturity Date	Tender Date	Note Date	Principal Amount
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INTEREST RATE MODE:

<u>Flexible</u>	<u>Daily</u>	<u>Weekly</u>	<u>Monthly</u>	<u>Quarterly</u>	<u>Semiannual</u>	<u>Term</u>	<u>Fixed</u>
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

REGISTERED OWNER:

THE BOARD OF REGENTS (the "Board") OF THE UNIVERSITY OF TEXAS SYSTEM (the "System") being an agency and political subdivision of the State of Texas, FOR VALUE RECEIVED, hereby promises to pay, solely from the sources hereinafter identified and as hereinafter stated, to the order of the registered owner set forth above, or the assignee thereof, on the Maturity Date specified above the principal amount specified above and to pay interest, if any, on said principal amount from the above specified Note Date to said Maturity Date or earlier redemption date or the date of payment pursuant to a demand for payment at the rate determined as herein provided from the most recent Interest Payment Date to which interest has been paid or duly provided for or from the Note Date if no interest has been paid, such payments of interest to be made on each Interest Payment Date until the principal hereof has been paid or provided for as aforesaid. Both principal of and interest on this Note are payable in immediately available funds or clearing house funds, depending on the interest rate mode, the principal amount of notes owned and the instructions of the registered owner, in lawful money of the United States of America; the principal hereof being payable upon presentation and surrender of this Note at the principal corporate office of the Paying Agent/Registrar executing the Certificate of Authentication appearing hereon, or its successor, and the interest hereon to be payable to the registered owner hereof whose name appears on the registration and transfer books (the "Registration Books") kept by the Paying Agent/Registrar as of the close of business on the record date by check mailed to such registered owner or by such

other method requested by and at the risk and expense of the registered owner provided, that (i) if the registered owner has submitted a written request with the Paying Agent/Registrar prior to the record date, interest for any Daily, Weekly, Monthly or Quarterly Rate Period shall be paid by federal funds check, by deposit to the account of the registered owner if such account is maintained by the Paying Agent/Registrar or by wire transfer within the continental United States; or (ii) interest for Flexible Rate Periods will be paid in immediately available funds; provided further that interest accrued during any Flexible Rate Period and at the maturity of this Note shall be paid only upon its presentation and surrender. The record date for any Interest Payment Date shall be the close of business on the Business Day immediately preceding the Interest Payment Date, except that, while this Note bears interest at Semiannual or Term Rates, or at a Fixed Rate the regular record date shall be the close of business on the 15th day of the calendar month immediately preceding such Interest Payment Date.

THIS NOTE is one of an issue of variable rate notes (the "Variable Rate Notes") which, together with other forms of obligations, including the below referenced Revolving Note (such other obligations and the Variable Rate Notes being hereinafter collectively referred to as the "Notes"), has been duly authorized and issued in accordance with the provisions of a resolution (the "Resolution") passed by the Board for the purpose of financing Project Costs of Eligible Projects and to refinance, renew, or refund the Notes issued pursuant to the provisions of the Resolution; all in accordance and in strict conformity with the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended, and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code). Capitalized terms used herein and not otherwise defined shall have the meaning given in the Resolution.

This Note, together with the other Notes, is payable (which includes the obligation to purchase upon tender as provided herein) from and equally secured by (i) the proceeds from (a) the sale of Fund Priority Obligations, Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose and (b) the sale of Project Notes issued pursuant to the Resolution for such purpose, (ii) Advances under the Credit Agreement, (iii) the amounts held in the Series A Note Payment Fund and the Special System Account, and (iv) the Interest of the University in the Available University Fund, such lien on and pledge of the Interest of the University in the Available University Fund, however, being junior and subordinate to the lien and pledge thereof securing the

payment of Fund Priority Obligations now outstanding and hereafter issued by the Board.

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

INTEREST ON VARIABLE RATE NOTES

*The originally issued Variable Rate Notes shall bear interest at the Flexible Rate for a Flexible Rate Period which ends on December 20, 1985. At the end of the initial Flexible Rate Period, the Variable Rate Note shall be subject to mandatory tender, without right of retention by the registered owner. Thereafter, the Variable Rate Notes shall continue in the Flexible Rate Mode until converted to another interest rate mode in accordance with the Resolution.

The rate of interest applicable to any Rate Period shall be determined in accordance with the applicable provisions of the Resolution and, for Flexible Rate Periods and Rate Periods, as hereinafter defined pursuant to the terms of the Remarketing Agreement between the Board and Goldman, Sachs & Co. or any successor thereto (the "Remarketing Agent"). All computations of interest shall be based on 365-day years for the actual number of days elapsed; except for interest at Semiannual or Term Rates, which shall be computed on the basis of 360-day years of twelve 30-day months.

The Variable Rate Notes may bear interest at Flexible Rates or a Variable Rate effective for periods ("Flexible Rate Periods" in the case of Flexible Rates and "Rate Periods" in the case of Variable Rates) established in accordance with the Resolution, from time to time. The Variable Rate Notes may be converted to bear interest at a Fixed Rate from the conversion date until maturity in accordance with the Resolution.

The Variable Rate Notes may bear interest as follows:

*This paragraph will only appear on the Variable Rate Notes which are issued prior to the end of the initial Flexible Rate Period.

Flexible Rate Mode.

While the Variable Rate Notes bear interest at Flexible Rates, the interest rate for each particular Variable Rate Note will remain in effect for the duration (not exceeding 180 days) of the Flexible Rate Period. While the Variable Rate Notes are in the Flexible Rate Mode, Variable Rate Notes may have successive Flexible Rate Periods of any duration up to 180 days each and any Variable Rate Note may bear interest at a rate and for a period different from any other Variable Rate Note.

Variable Rate Modes.

The Variable Rate Notes may bear interest at a Variable Rate computed on a Daily, Weekly, Monthly, Quarterly, Semi-annual, or Term basis.

Daily Rate.

While the Variable Rate Notes bear interest at a Daily Rate, the interest rate established for the Variable Rate Notes will be effective from day to day until changed.

Weekly Rate.

While the Variable Rate Notes bear interest at a Weekly Rate, the rate of interest on the Variable Rate Notes will be determined weekly to be effective for a seven-day period commencing on Wednesday of the following week.

Monthly Rate.

While the Variable Rate Notes bear interest at a Monthly Rate, the interest rate will be determined monthly to be effective for a one-month period.

Quarterly Rate.

While the Variable Rate Notes bear interest at a Quarterly Rate, the rate of interest will be determined quarterly to remain in effect for a three-month period.

Semiannual Rate.

While the Variable Rate Notes bear interest at a Semiannual Rate, the rate of interest will be determined semiannually to remain in effect for a six-month period.

Term Rate.

While the Variable Rate Notes bear interest at a Term Rate, the interest rate determined will remain in effect for a term of one year or any whole multiple of one year selected in accordance with the Resolution.

Fixed Rate Mode.

At the option of an Authorized Representative, the Variable Rate Notes bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at a Fixed Rate to the Maturity Date.

An interest rate mode will remain in effect until changed. During each Rate Period, and unless otherwise established by an Authorized Representative, the rate of interest on the Variable Rate Notes shall be that rate which, in the determination of the Remarketing Agent, if borne by the Variable Rate Notes on the date of such determination under prevailing market conditions, would result in the market value of the Variable Rate Notes being 100% of the principal amount thereof. While this Note bears interest at the Flexible Rate Mode, and unless otherwise established by an Authorized Representative, each Flexible Rate and Flexible Rate Period shall be determined by the Remarketing Agent in connection with the sale of the Variable Rate Notes to which they relate by the offer and acceptance of purchase commitments for such Variable Rate Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions. In the event that the Remarketing Agent is unable, or fails, to determine the Variable Rate or the Flexible Rates, the Variable Rate or the Flexible Rates shall remain those in effect for the then current Rate Period or Flexible Rate Period.

Variable Rate Notes which bear interest at Flexible Rates will be issued in denominations of any multiple of \$1,000, with a minimum denomination of \$100,000. Variable Rate Notes which bear interest at a Daily, Weekly, Monthly, or Quarterly Rate will be issued in denominations of \$100,000 and whole multiples thereof. Variable Rate Notes which bear interest at a Semiannual, Term Rate or Fixed will be issued in the denomination of \$5,000 and whole multiples thereof. In the event of a change in interest rate mode so that a registered owner owns Variable Rate Notes in an unauthorized denomination, the principal amount of Variable Rate Notes in excess of the authorized denomination is subject to mandatory tender for purchase at the principal amount thereof plus accrued interest on the date of conversion to the new interest rate mode.

OPTIONAL TENDERS

While this Variable Rate Note bears interest at a Variable Rate the registered owner of this Variable Rate Note has the right to tender this Variable Rate Note to the Paying Agent/Registrar for purchase at the principal amount hereof plus accrued interest (from the same sources from which the principal and interest hereon are payable) as follows: (i) during a Daily Rate Period on any Business Day upon notice to the Paying Agent/Registrar and Remarketing Agent prior to 11:00 a.m., New York time, on such Business Day, (ii) during a Weekly Rate Period on any Business Day upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date, (iii) during a Monthly Rate Period on any Interest Payment Date upon at least 3 Business Days notice to the Paying Agent/Registrar, (iv) during a Quarterly or Semiannual Rate Period on any Interest Payment Date upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date, and (v) during a Term Rate Period on the first day of the succeeding Rate Period upon notice to the Paying Agent/Registrar given on a Business Day at least 7 days prior to the Tender Date. AFTER THE VARIABLE RATE NOTES HAVE BEEN CONVERTED TO BEAR INTEREST AT A FIXED RATE THEY SHALL NOT BE SUBJECT TO TENDER FOR PURCHASE.

MANDATORY TENDERS

While this Variable Rate Note bears interest at a Flexible Rate or at a Variable Rate, this Variable Rate Note shall be tendered for purchase at the principal amount thereof plus accrued interest (from the same sources from which the principal and interest hereon are payable) to the Paying Agent/Registrar on the effective date of (i) a change from one interest rate mode to a different interest rate mode (except for changes between a Daily Rate and Weekly Rate) and (ii) a change from one Flexible Rate Period to another Flexible Rate Period; provided, however, that the registered owner of this Variable Rate Note may elect to retain this Variable Rate Note (or his investment in this Variable Rate Note in the event this Variable Rate Note bears interest at a Flexible Rate) upon written notice to the Paying Agent/Registrar as provided in the Resolution.

Interest on any Variable Rate Note as to which a registered owner has not elected to continue to own after a mandatory tender date (as described above) and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the mandatory tender date, and the registered owner of such Variable Rate Note

shall not be entitled to any payment other than the purchase price for such Variable Rate Note and such Variable Rate Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Variable Rate Note from monies held by the Paying Agent/Registrar for such payment. On the mandatory tender date, the Paying Agent/Registrar shall authenticate and deliver substitute Variable Rate Notes in lieu of such untendered Variable Rate Notes.

WRITTEN NOTICE OF RATE MODE CHANGE

While the Variable Rate Notes bear interest at Flexible Rates or a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of all Variable Rate Notes of the conversion from one interest rate mode to another at the times described in the Resolution. ANY REGISTERED OWNER OF VARIABLE RATE NOTES WHO MAY BE UNABLE TO TAKE TIMELY ACTION ON ANY NOTICE SHOULD CONSIDER WHETHER TO MAKE ARRANGEMENTS FOR ANOTHER PERSON TO ACT IN HIS OR HER STEAD. If a new interest rate mode for the Variable Rate Notes is not selected in a timely fashion in accordance with the Resolution, the interest rate mode then in effect will continue until changed by timely notice.

INTEREST PAYMENT DATES

While this Variable Rate Note bears interest at a Flexible Rate, interest is payable on the last day of each Flexible Rate Period. While this Variable Rate Note bears interest at Daily, Weekly, or Monthly Rates, interest is payable on the first Business Day of each month. During Quarterly Rate Periods, interest is payable on the first Business Day of the third calendar month after the date each interest rate becomes effective. During any Semiannual or Term Rate Period, interest is payable on the first Business Day of the sixth calendar month after the date each interest rate becomes effective. After the Variable Rate Notes have been converted to bear interest at a Fixed Rate, interest is payable on January 1 and July 1 of each year. Each such date is herein defined as an "Interest Payment Date".

OPTIONAL REDEMPTION

During any Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period, this Variable Rate Note is subject to redemption by the Board on any Interest Payment Date, in whole or in part, at a redemption price equal to the principal amount thereof plus interest accrued to the redemption date.

[Insert - Term or Fixed Rate Redemption Provisions selected by an Authorized Representative, if any]

It is hereby certified and recited that all acts, conditions, and things required by law and the Resolution to exist, to have happened, and to have been performed precedent to and in the issuance of this Variable Rate Note, do exist, have happened, and have been performed in regular and due time, form, and manner as required by law and that the issuance of this Variable Rate Note, together with all other Notes, is not in excess of the principal amount of Notes permitted to be issued under the Constitutional Amendment or the Resolution.

This Variable Rate Note is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

This Variable Rate Note shall not be entitled to any benefit under the Resolution or be valid or become obligatory for any purpose until this Variable Rate Note shall have been authenticated by the execution by the Paying Agent/Registrar of the Certificate of Authentication hereon.

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

BOARD OF REGENTS OF THE UNIVERSITY
OF THE TEXAS SYSTEM

Chairman

ATTEST:

Executive Secretary

(SEAL)

PAYING AGENT/REGISTRAR'S
CERTIFICATE OF AUTHENTICATION

This Variable Rate Note is one of the Variable Rate Notes delivered pursuant to the within mentioned Resolution.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK,
as Paying Agent/Registrar

Registered This Date: By _____
Countersignature

Section 2.08. Execution - Authentication. The Notes shall be executed on behalf of the Board by the Chairman of

the Board under its seal reproduced or impressed thereon and attested by the Executive Secretary of the Board. The signature of said officers on the Notes may be manual or facsimile. Notes bearing the manual or facsimile signatures of individuals who are or were the proper officers of the Board on the date of passage of this Resolution shall be deemed to be duly executed on behalf of the Board, notwithstanding that such individuals or either of them shall cease to hold such offices at the time of the initial sale and delivery of Notes authorized to be issued hereunder and with respect to Notes delivered in subsequent sales, exchanges and transfers, all as authorized and provided in Article 717k-6, V.A.T.C.S., as amended.

No Project Note shall be entitled to any right or benefit under this Resolution, or be valid or obligatory for any purpose, unless there appears on such Project Note a certificate of authentication substantially in the applicable form provided in Section 2.07, executed by the Paying Agent/Registrar by manual signature, and such certificate upon any Project Note shall be conclusive evidence, and the only evidence, that such Project Note has been duly certified or registered and delivered.

Section 2.09. Notes Mutilated, Lost, Destroyed, or Stolen. If any Note shall become mutilated, the Board, at the expense of the Holder of said Note, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor and number in exchange and substitution for the Note so mutilated, but only upon surrender to the Paying Agent/Registrar of the Note so mutilated. If any Note shall be lost, destroyed, or stolen, evidence of such loss, destruction, or theft may be submitted to the Board and the Paying Agent/Registrar and if such evidence be satisfactory to them and indemnity satisfactory to them shall be given, the Board, at the expense of the Holder, shall execute and the Paying Agent/Registrar shall authenticate and deliver a new Note of like tenor in lieu of and in substitution for the Note so lost, destroyed, or stolen. In the event any such Note shall have matured the Paying Agent/Registrar instead of issuing a duplicate Note may pay the same without surrender thereof after making such requirement as it deems fit for its protection, including a lost instrument bond. Neither the Board nor the Paying Agent/Registrar shall be required to treat both the original Note and any duplicate Note as being outstanding for the purpose of determining the principal amount of Notes which may be issued hereunder, but both the original and the duplicate Note shall be treated as one and the same. The Board and the Paying Agent may charge the Holder of such Note with their reasonable fees and expenses for such service.

Section 2.10. Negotiability, Registration and Exchangeability. The Notes issued hereunder shall be, and shall have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas, and each successive Holder, in accepting any of the obligations, shall be conclusively deemed to have agreed that such Notes shall be and have all of the qualities and incidents of a negotiable instrument under the laws of the State of Texas.

Registration Books relating to the registration, payment, and transfer or exchange of the Project Notes shall at all times be kept and maintained by the Board at the corporate trust office of the Registrar, and the Registrar shall obtain, record, and maintain in the Registration Books the name and, to the extent provided by or on behalf of such Registered Owner, the address of each Registered Owner of the Project Notes, except for Commercial Paper Notes registered to bearer, issued under and pursuant to the provisions of this Resolution. Any Project Note may, in accordance with its terms and the terms hereof, be transferred or exchanged for Project Notes of like tenor and character and of other authorized denominations upon the Registration Books by the Holder thereof in person or by his duly authorized agent, upon surrender of such Project Note to the Registrar for cancellation, accompanied by a written instrument of transfer or request for exchange duly executed by the Holder thereof or by his duly authorized agent, in form satisfactory to the Registrar.

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

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

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

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

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

The Board reserves the right to change the above registration and transferability provisions of the Project Notes at any time on or prior to the delivery thereof in order to comply with applicable laws and regulations of the United States of America in effect at the time of issuance thereof. In addition, to the extent that the provisions of this Section conflict with or are inconsistent with the provisions of Section 2.07(b) or Articles III and IV, such other provisions shall control.

Section 2.11. Series A Note Payment Fund. There is hereby created and established with the Issuing and Paying Agent a separate and special fund to be designated as the "Board of Regents of The University of Texas System Series A Note Payment Fund" (the "Series A Note Payment Fund"). All amounts required to be deposited by the Board pursuant to Section 2.12 shall be deposited to the Series A Note Payment Fund and shall be used to pay principal of, premium, if any, and interest on Notes at the respective interest payment, maturity, redemption, or purchase dates of each issue of such Notes as provided herein, including the repayment of any amounts owed with respect to the Revolving Note in evidence of Advances under the Agreement. Amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof may be transferred to the Series A Note Construction Account (created pursuant to Section 2.14) upon request of an Authorized Representative.

Additionally all Advances under the Agreement shall be deposited into the Series A Note Payment Fund and used to pay the principal of, premium, if any, and interest on the Project Notes, including the purchase price pursuant to Articles III and IV.

Pending the expenditure of moneys in the Series A Note Payment Fund or the Series A Note Construction Account for authorized purposes, moneys deposited therein may be invested at the direction of an Authorized Representative in those securities and obligations permitted by law for the investment of Funds of the Board. Any income received from investments in the Series A Note Payment Fund shall be retained in the Series A Note Payment Fund, and any income received from investments in the Series A Note Construction Account shall be retained in the Series A Note Construction Account.

Section 2.12. Pledge of Revenues; Payments. The Notes are special obligations of the Board payable from and secured solely by the funds pledged therefor pursuant to this Resolution. The Board agrees to make payments into the Series A Note Payment Fund at such times and in such amounts as are necessary to provide for the full payment of the principal of, premium, if any, and the interest on the Notes when due, whether by reason of maturity, redemption, or tender for purchase. Payments from the Series A Note Payment Fund shall be made from the first moneys deposited to the account of the Series A Note Payment Fund. Unless paid from the proceeds from the sale of Fund Priority Obligations, Short Term Obligations, Notes, or other obligations of the Board issued pursuant to the Constitutional Amendment, or, with respect to the Project Notes, the Advances under and pursuant to the Agreement, such payments are to be made from the amounts required to be deposited in the Series A Note Payment Fund.

To provide security for the payment of the principal of and interest on the Notes as the same shall become due and payable, there is hereby pledged, subject only to the provisions of this Resolution permitting the application thereof for purposes and on the terms and conditions set forth herein, (i) the proceeds from (a) the sale of the Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose and (b) the sale of Project Notes issued pursuant to this Resolution for such purpose, (ii) Advances under the Credit Agreement, (iii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, amounts in the Series A Note Payment Fund attributable to and derived from Advances under and pursuant to the Agreement are pledged to, and shall be used to pay, the principal of, premium, if any, and interest

on the Project Notes, and (iv) the Interest of the University in the Available University Fund, such pledge of Interest of the University in the Available University Fund, however, being subordinate to the pledge thereof securing the payment of Fund Priority Obligations as described below, and it is hereby resolved and declared that the principal of and interest on the Notes shall be and are hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereinabove identified in clauses (i), (ii), (iii), and (iv) subject and subordinate only to the exceptions noted therein.

Section 2.13. Application of Prior Covenants. The covenants and agreements (to the extent the same are not inconsistent herewith) contained in the 1985 Constitutional Amendment Bond Resolution are hereby incorporated herein and shall be deemed to be for the benefit and protection of the Notes and the Holders thereof in like manner as applicable to the Fund Priority Obligations, provided, however, in the event of any conflict between the terms, covenants, and agreements contained herein and the terms, covenants, and agreements contained in the 1985 Constitutional Amendment Bond Resolution, the provisions of the 1985 Constitutional Amendment Bond Resolution shall control over the provisions hereof.

In accordance with the provisions of the 1985 Constitutional Amendment Bond Resolution, the Notes represent obligations which are subordinate to the Fund Priority Obligations. As described in Section 9 of the 1985 Constitutional Amendment Bond Resolution, there heretofore has been established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of monies to be deposited into the Interest and Sinking Fund from the Available University Fund which demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund Priority Obligations as the same mature and come due, the balance of the Interest of the University in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal, and premium, if any, of the Notes to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Amendment, or with respect to the Project Notes, from

the proceeds of Advances under the Agreement. After provision has been made for the payment of the interest and any premium on and/or principal of the Notes, the balance of the Interest of the University in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it may lawfully direct.

To the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest and any premium on the Notes as such principal, interest and premium respectively come due, respectively, an Authorized Representative, or such officer or employee as may hereafter be designated by the Board to perform the following duties, shall perform the following duties:

(1) Concurrently with the issuance of the Notes there is being established in the Treasury of the State of Texas the Special System Account. If there is on deposit in the Special System Account from the Interest of the University in the Available University Fund, monies sufficient to pay the interest and any premium on and/or principal of the Notes as the same come due and mature or are required to be purchased, and to pay such fees and expenses of the Bank and the Remarketing Agent as described above in this Section, an Authorized Representative or such other designated officer or employee shall transfer from the Special System Account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund monies sufficient to pay such amounts, and thereafter shall direct the Comptroller of Public Accounts of the State of Texas (hereinafter called the "Comptroller of Public Accounts") to restore the Special System Account to an amount equal to the amount such official estimates will be necessary from the Interest of the University in the Available University Fund, to pay said interest on and/or principal of and, premium, if any, on the Notes, including the purchase price thereof.

(2) If it is anticipated that there shall not be on account in the Series A Note Payment Fund or the Special System Account, from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of, and premium, if any, on the Notes as the same are due, an Authorized Representative or such other designated officer or employee shall implement the procedures necessary to cause the Comptroller of Public Accounts

to withdraw from the Interest and Sinking Fund the amount of such interest and/or principal and any premium which will become due on the scheduled payment date and deposit said amount in the Series A Note Payment Fund or, if such deposit cannot be made within the time required, to make an Advance in such amount.

Section 2.14. Series A Note Construction Account. There is hereby created and established a separate account hereby designated as the "Board of Regents of The University of Texas System Series A Note Construction Account" (the "Series A Note Construction Account"). The Series A Note Construction Account shall be maintained by the Board in an official depository of the System. Moneys deposited in the Series A Note Construction Account shall remain therein until from time to time expended for the Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below, and for temporary investment thereof as provided in Section 2.11.

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

Section 2.15. Cancellation. All Project Notes which at maturity are surrendered to the Paying Agent/Registrar for the collection of the principal and interest thereof or are surrendered for transfer or exchange pursuant to the provisions hereof or are purchased on behalf of the Board through an Advance shall, upon payment or issuance of new Project Notes, be cancelled by the Paying Agent/Registrar and forthwith transmitted to the Board, and the Board, thereafter shall have the custody of all thereof.

Section 2.16. Fiscal and Other Agents. In furtherance of the purposes of this Resolution, the Board may from time to time appoint and provide for the payment of such additional fiscal, paying or other agents or trustees as it may deem necessary or appropriate in connection with the Notes.

Section 2.17. Trust Agreement. The Chairman and the Executive Secretary of the Board are hereby authorized and directed to execute and deliver the Trust Agreement with the

Texas State Treasurer in substantially the form attached hereto as Exhibit B.

ARTICLE III

INTEREST RATES ON VARIABLE RATE NOTES

Section 3.01. Initial Interest Rates; Subsequent Rates. The Variable Rate Notes originally issued hereunder shall bear interest at the Flexible Rate for an initial Flexible Rate Period which ends on December 20, 1985. At the end of said initial Flexible Rate Period, the Variable Rate Notes shall be subject to mandatory tender, without right of retention by the Registered Owner. Thereafter, the Variable Rate Notes shall bear interest at the Flexible Rates determined from time to time in accordance with the provisions of Section 3.02, except that the Rate Period applicable to the Variable Rate Notes may be converted to or from Variable Rate Periods, Flexible Rate Periods, or to the Fixed Rate Period pursuant to Section 3.02, 3.03, or 3.04.

Section 3.02. Variable Rates; Conversions to Variable Rate Periods.

(a) Determination by Remarketing Agent. Subject to the further provisions of this Article III with respect to particular Variable Rates or conversions between Rate Periods, the Variable Rate to be applicable to Variable Rate Notes during any Variable Rate Period shall be determined by the Remarketing Agent. The Remarketing Agent shall determine the Variable Rate in accordance with this section on the Rate Determination Date and shall notify the Authorized Representative of such determination of the Variable Rate by providing telephonic notice of such rate to an Authorized Representative. The Variable Rate so determined shall become effective on the first day of the next succeeding Rate Period.

(i) In each case the Variable Rate for the Variable Rate Period in question shall be determined by the Remarketing Agent on the date or dates ("Rate Determination Date") and at the time or times required pursuant to Section 3.02 (b), (c), (d), (e), (f), or (g) below, whichever is applicable.

(ii) The Variable Rate so to be determined shall be the lowest rate of interest which, in the judgment of the Remarketing Agent, would cause the Variable Rate Notes to have a market value equal to the principal amount thereof, plus accrued interest, under prevailing market conditions as of the date of determination; provided that: (A) if the Remarketing Agent fails for

any reason to determine or notify the Authorized Representative or the Paying Agent of the Variable Rate for any Variable Rate Period when required hereunder, the Variable Rate for such period shall be deemed to be determined as the Variable Rate then in effect; and (B) in no event shall the Variable Rate for any Variable Rate Period exceed the Maximum Rate.

(iii) All determinations of Variable Rates pursuant to this Section shall be conclusive and binding upon the Board, the Paying Agent, the Bank, and the Holders of the Variable Rate Notes to which such rates are applicable. The Board, the Paying Agent, and the Remarketing Agent shall not be liable to any Holders for failure to give any notice required above or for failure of any Holders to receive any such notice.

(b) Daily Rates. A Daily Rate shall be determined for each Daily Rate Period as follows:

(i) Daily Rate Periods shall commence on each Business Day and shall extend to, but not include, the next succeeding Business Day.

(ii) The Daily Rate for each Daily Rate Period shall be effective from and including the commencement date thereof and shall remain in effect to, but not including, the next succeeding Business Day. Each such Daily Rate shall be determined between 1:00 p.m. and 4:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of the Daily Rate Period to which it relates and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined. If the Daily Rate is not determined for any day the Daily Rate determined for the preceding day shall remain in effect.

(iii) Notice of Daily Rates determined for each Daily Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner by monthly statement within 7 Business Days after each Interest Payment Date on which Interest at a Daily Rate or Rates is to be paid.

(c) Weekly Rates. A Weekly Rate shall be determined for each Weekly Rate Period as follows:

(i) Weekly Rate Periods shall commence on Wednesday of each week and end on Tuesday of the following week; except that (A) in the case of a conversion to a Weekly Rate Period from a different Variable Rate Period or from a Flexible Rate Period, the initial

Weekly Rate Period shall commence on the Conversion Date from such other Variable Rate Period and end on Tuesday of the following week; and (B) in the case of a conversion from a Weekly Rate Period to a different Rate Period or to the Fixed Rate, the last Weekly Rate Period prior to conversion shall end on the last day immediately preceding the Conversion Date.

(ii) The Weekly Rate for each Weekly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Weekly Rate shall be determined by the Remarketing Agent on the eighth (8th) day prior to the commencement date of the Weekly Rate Period to which it relates or the immediately succeeding Business Day, if such eighth (8th) day is not a Business Day, and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of Weekly Rates determined for each Weekly Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner by monthly statement within 7 Business Days after each Interest Payment Date on which interest at a Weekly Rate or Rates is to be paid.

(d) Monthly Rates. A Monthly Rate shall be determined for each Monthly Rate Period as follows:

(i) Monthly Rate Periods shall commence on the first Business Day of each calendar month and end on the last day prior to the first Business Day of the following month.

(ii) The Monthly Rate for each Monthly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Monthly Rate shall be determined by the Remarketing Agent not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of Monthly Rates determined for each Monthly Rate Period shall be given by the Paying Agent by first class mail to each Registered Owner within 7 Business Days after its determination pursuant to Section 3.02(d)(ii) above.

(e) Quarterly Rates. A Quarterly Rate shall be determined for each Quarterly Rate Period as follows:

(i) Quarterly Rate Periods shall (A) commence initially on a Quarterly Rate Conversion Date; and (B) end on the last day preceding either the commencement date of the following Quarterly Rate Period or the Conversion Date on which a different type of Rate Period shall become effective.

(ii) The Quarterly Rate for each Quarterly Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last date thereof. Each such Quarterly Rate shall be determined by the Remarketing Agent not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the same day.

(iii) Notice of a Quarterly Rate shall be given by the Paying Agent by first class mail to each Registered Owner promptly after such actual Quarterly Rate is determined pursuant to Section 3.02(e)(ii) above.

(f) Semiannual Rates. A Semiannual Rate shall be determined for each Semiannual Rate Period as follows:

(i) Semiannual Rate Periods shall (A) commence initially on the Conversion Date to a Semiannual Rate Period from a different type of Rate Period and on the first day of each sixth (6th) calendar month thereafter; and (B) end on the last day preceding either the commencement date of the following Semiannual Rate Period or the Conversion Date on which a different type of Rate Period shall become effective.

(ii) The Semiannual Rate for each Semiannual Rate Period shall be effective from and including the commencement date of such period and shall remain in effect through and including the last day thereof. Each such Semiannual Rate shall be determined by the Remarketing Agent for each Semiannual Rate Period shall be determined not later than 12:00 p.m., New York City time, on the Business Day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of each Semiannual Rate shall be given by the Paying Agent by first class mail to each

Registered Owner promptly after such actual Semiannual Rate is determined pursuant to Section 3.02(f)(ii) above.

(g) Term Rates. A Term Rate shall be determined for each Term Rate Period as follows:

(i) Term Rate Periods shall (A) commence initially on the Term Rate Conversion Date and on the first day of a calendar month which is an integral multiple of twelve (12) calendar months thereafter; and (B) end on the last day preceding either the commencement date of the following Term Rate Period or the Conversion Date on which a different Rate Period, shall become effective.

(ii) The Term Rate for each Term Rate Period shall be effective from and including the commencement date of such period and remain in effect through and including the last day thereof. Each such Term Rate shall be determined for each Term Rate Period not later than 12:00 p.m., New York City time, on the day immediately preceding the commencement date of such period and made available to the Paying Agent by the Remarketing Agent by the close of business on the day such rate is determined.

(iii) Notice of each Term Rate shall be given by the Paying Agent by first class mail to each Registered Owner promptly after such actual Term Rate is determined pursuant to Section 3.02(g)(ii) above.

(h) Conversions between Variable Rate Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from one Variable Rate Period to another. To accomplish the proposed conversion, the Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to Section 3.02(h)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date of a conversion to a different Variable Rate Period shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that if the conversion is from a Term Rate Period to a different Variable Rate Period, the Conversion Date shall be limited to an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g)

above; and provided, further, that if the conversion is between Daily and Weekly Rate Periods, the Conversion Date may be any Wednesday, regardless of whether the Wednesday is an Interest Payment Date.

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank, not fewer than forty-five (45) days prior to the proposed Conversion Date, or twenty (20) days in the case of conversions between Daily and Weekly Rate Periods. Such notice shall specify the proposed Conversion Date and the Variable Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate Period, or to a new Term Rate Period if the previous Rate Period is a Term Rate Period, the number of years to be included within such Term Rate Period.

(iii) Not fewer than fifteen (15) days prior to the Conversion Date in the case of conversions between Daily and Weekly Rate Periods and not fewer than thirty (30) days prior to the Conversion Date in all other cases (including Flexible Rate Periods), the Paying Agent, except as provided in Section 3.05, shall mail (by first class mail) a written notice of the conversion to the Registered Owners. Such notice shall

(A) contain the information set forth in the notice from the Authorized Representative pursuant to Section 3.02(h)(ii) above,

(B) set forth the dates by which the Remarketing Agent will determine and the Paying Agent will notify the Registered Owners of the Variable Rate for the Variable Rate Period commencing on the Conversion Date pursuant to Section 3.02(h)(iv) below, and

(C) set forth the matters required to be stated pursuant to Section 4.03 with respect to purchases of Variable Rate Notes governed by such Section.

(iv) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be determined by the Remarketing Agent in the manner provided in Section 3.02(a) above on the date set forth in Section 3.02(b), (c), (d), (e), (f), or (g) above, whichever is applicable to the Variable Rate Period to which the conversion shall be made.

(v) Any conversion pursuant to this Section 3.02(h) from a Flexible, Daily, Weekly, Monthly,

Quarterly, or Semiannual Rate Period to a Term Rate Period; or from a Term Rate Period to another Term Rate Period; or from a Term Rate Period to a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period; or from a Flexible, Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate Period to a Fixed Rate shall be subject to the condition that on or before the date of such conversion, an Authorized Representative shall have delivered to the Paying Agent and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation. If said opinion is not delivered, the conversion shall not occur and the Variable Rate Notes shall remain in the same Rate Period.

(i) Conversions from Flexible Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from Flexible Rate Periods to a Variable Rate Period. To accomplish the proposed conversion, an Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to subparagraph 3.02(i)(ii). The conversion shall be accomplished as follows:

(i) The Conversion Date shall be both (A) the first Business Day of a calendar month, and (B) the last Interest Payment Date on which interest is payable for any Flexible Rate Periods theretofore established for the Variable Rate Notes to be converted pursuant to Section 3.03.

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank no fewer than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the proposed Conversion Date and the type of Rate Period to which the conversion will be made, and in the case of conversion to a Term Rate Period, the number of years to be included within such Term Rate Period. The Paying Agent shall give notice of conversion to Registered Owners prior to the Conversion Date in the manner prescribed by Section 3.02(h)(iii). Notwithstanding the foregoing, however, no conversion shall be effected unless, prior to the date on which such notice is required to be given, the Paying Agent shall have received written confirmation from the Remarketing Agent to the effect that it has not

established and will not establish any Flexible Rate Periods extending beyond the Conversion Date and, if applicable, the opinion required by Section 3.02(h)(v) above shall be delivered prior to the Conversion Date. If said opinion is not delivered, the conversion shall not occur and the Variable Rate Notes shall remain in the same Rate Period.

(iii) The Variable Rate for the Variable Rate Period commencing on the Conversion Date shall be established and notice thereof shall be given in the same manner as is provided for conversions from one Variable Rate Period to another pursuant to Section 3.02(h)(iii) above, except as provided in Section 3.05.

Section 3.03. Flexible Rates; Conversions to Flexible Rate Periods.

(a) Flexible Rates. A Flexible Rate for each Flexible Rate Period shall be determined as follows:

(i) The Flexible Rate Period for each Variable Rate Note shall be of such duration, not exceeding 180 days, as may be offered by the Remarketing Agent and specified by the purchaser pursuant to Section 4.02 or 4.03 hereof and any Variable Rate Note may bear interest at a Flexible Rate for a Flexible Rate Period different from any other Variable Rate Note; provided that each such Flexible Rate Period shall (A) commence on a Business Day (initially, the Flexible Rate Conversion Date), and (B) end on a day which is a Business Day.

(ii) The Flexible Rate for each Flexible Rate Period shall be effective from and including the commencement date of such period through but not including the last day thereof. Each such Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Variable Rate Note or Variable Rate Notes to which it relates pursuant to Section 4.02 or 4.03 hereof. Flexible Rates shall be determined for Variable Rate Notes prior to the commencement of each Flexible Rate Period with respect to such Variable Rate Note by the Remarketing Agent in connection with the remarketing of Variable Rate Notes, by the offer and acceptance of purchase commitments for such Variable Rate Notes at a rate or rates it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions and shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for each Variable Rate Note by providing telephonic notice of such period and rate to an Authorized

Representative. If the Flexible Rate Period is approved by an Authorized Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty minutes after such telephonic notice), it shall become effective on the first day of the next Rate Period. If the period is rejected by the Authorized Representative, the next succeeding Rate Period shall be a Flexible Rate Period of one day's duration. Longer Flexible Rate Periods may be established pursuant to Section 4.02(b) hereof.

(b) Conversions to Flexible Rate Periods. At the option of an Authorized Representative, the Variable Rate Notes may be converted from a Variable Rate Period to Flexible Rate Periods. To accomplish the proposed conversion, the Authorized Representative shall give written notice of the proposed conversion together with a copy of the opinion referred to in Section 3.02(h)(v), if applicable, to the Remarketing Agent not fewer than one day prior to the date that notice is required to be given pursuant to Section 3.03(b)(ii). The conversion shall be accomplished as follows:

(i) In any such case, the Flexible Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made; provided, however, that in the case of a conversion from a Term Rate Period, the Conversion Date shall be an Interest Payment Date on which a new Term Rate Period would otherwise have commenced pursuant to Section 3.02(g).

(ii) The Authorized Representative shall give written notice of any such conversion to the Paying Agent and the Bank in the manner and at the times prescribed by Sections 3.02(h)(ii) and (iii) above.

(iii) Not fewer than thirty (30) days prior to the Conversion Date, the Paying Agent, except as provided in Section 3.05, shall mail (by first class mail) a written notice of the conversion to the Registered Owner of all Variable Rate Notes, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 4.03 with respect to purchases of Variable Rate Notes governed by such Section.

(iv) Any conversion at the direction of an Authorized Representative pursuant to this Section 3.03(b) shall be subject to the condition, if required by Section 3.02(h)(v), that on or before the date of such conversion, the Authorized Representative shall have delivered to the Paying Agent and the Remarketing

Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation. If said opinion is not delivered or if conversion is to be made on the determination of the Remarketing Agent and is rejected by the Authorized Representative, the conversion shall not occur and the Variable Rate Notes shall remain in the same Rate Period.

Section 3.04. Fixed Rate Conversion at Option of Authorized Representative. At the option of an Authorized Representative, the Variable Rate Notes bearing interest at a Variable Rate or Flexible Rates may be converted to bear interest at a Fixed Rate to their final maturity. Any such conversion, shall be made as follows:

(a) The Fixed Rate Conversion Date shall be an Interest Payment Date on which interest is payable for the Variable Rate Period from which the conversion is to be made or an Interest Payment Date on which interest is payable for all Variable Rate Notes during Flexible Rate Periods.

(b) (i) The Authorized Representative shall give written notice of any such conversion to the Remarketing Agent, the Paying Agent, and the Bank, not fewer than forty-five (45) days prior to the proposed Conversion Date. Such notice shall specify the Fixed Rate Conversion Date.

(ii) Not fewer than thirty (30) days prior to the Fixed Rate Conversion Date, the Paying Agent shall mail (by first class mail) a written notice of the conversion to the Holder of all Variable Rate Notes, specifying the Conversion Date and setting forth the matters required to be stated pursuant to Section 3.04(c) hereof.

(c) Notice of conversion shall be given by first class mail by the Paying Agent to the Holders of all Variable Rate Notes. Such notice shall inform the Holders of:

(i) the proposed Fixed Rate Conversion Date;

(ii) the dates by which the Authorized Representative will determine and the Paying Agent will notify the Holders of the Fixed Rate pursuant to Section 3.04(d) below;

(iii) the conditions to the conversion pursuant to Section 3.04(e) below; and

(iv) the matters required to be stated pursuant to Section 4.04 hereof with respect to purchases of Variable Rate Notes governed by such Section.

(d) Not later than 12:00 p.m., New York City time, on the Business Day prior to the Fixed Rate Conversion Date an Authorized Representative shall determine the Fixed Rate for the Variable Rate Notes and make the Fixed Rate available to the Paying Agent. Such determination shall be conclusive and binding upon the Board, the Paying Agent and the Holders of the Variable Rate Notes to which such rate will be applicable. Promptly after the date of determination, the Paying Agent shall give notice of such Fixed Rate by first class mail to the Board, the Remarketing Agent, the Bank and the Holders (as of the Fixed Rate Conversion Date).

(e) Any conversion to a Fixed Rate pursuant to this Section 3.04 shall be subject to the following conditions:

(i) on or before the Fixed Rate Conversion Date, an Authorized Representative shall have delivered to the Paying Agent and the Remarketing Agent an opinion of nationally recognized bond counsel to the effect that the conversion is authorized hereunder and will not adversely affect the exemption of interest on the Variable Rate Notes from federal income taxation; and

(ii) as of the Fixed Rate Conversion Date, sufficient funds shall be available to purchase Variable Rate Notes which are then required to be purchased pursuant to Section 4.04 hereof. If the foregoing conditions are not met for any reason, the conversion shall not be effective, the Variable Rate Notes shall continue to bear interest at the last effective Variable Rate (if the conversion was to have been made from a Variable Rate Period), at Flexible Rates determined by the Remarketing Agent pursuant to the provisions of Section 3.03(a) as of the date on which the conversion was to occur (if the conversion was to have been made from Flexible Rate Periods). The Paying Agent shall promptly notify the Registered Owners of such fact and shall give all additional notices and take all further actions required pursuant to Section 4.06.

Section 3.05. Notices to Registered Owners.

In the event that the Remarketing Agent has not provided the Registrar with complete registration information, including the name and address of any Registered Owner of a Variable Rate Note, any notice which the Paying Agent is required to give to such Registered Owner with respect to such Variable Rate Note shall be sent by the Paying Agent to the Remarketing Agent and it shall be the sole

responsibility of the Remarketing Agent to furnish such notice to the Registered Owner. Where the Registrar has not been provided with complete registration information, including name and address of any Registered Owner, the Registrar and Paying Agent shall have no responsibility nor incur any liability in connection with the giving of such notice.

ARTICLE IV

TENDER AND PURCHASE OF VARIABLE RATE NOTES

Section 4.01. Tenders During Variable Rate Periods.

(a) Purchase Dates. The Holders of Variable Rate Notes bearing interest at Variable Rates may elect to have their Variable Rate Notes (or portions thereof in amounts equal to the lowest denomination then authorized pursuant to Section 2.07 hereof or whole multiples of such lowest denomination) purchased at a purchase price equal to 100% of the principal amount of such Variable Rate Notes (or portions), plus accrued interest, if any, on the following purchase dates and upon the giving of the following telephonic or written notices meeting the further requirements of subsection (b) below:

(i) Variable Rate Notes bearing interest at Daily Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day prior to conversion from a Daily Rate Period to a different Rate Period, upon telephonic notice of tender given to the Paying Agent and the Remarketing Agent not later than 11:00 a.m., New York City time, on the purchase date.

(ii) Variable Rate Notes bearing interest at Weekly Rates may be tendered for purchase at a price payable in immediately available funds on any Business Day prior to conversion from a Weekly Rate Period to a different Rate Period upon delivery of a written notice of tender to the Paying Agent not later than 5:00 p.m., New York City time, on a Business Day not fewer than seven (7) days prior to the purchase date.

(iii) Variable Rate Notes bearing interest at Monthly Rates may be tendered for purchase on any Interest Payment Date for such Variable Rate Notes at a price payable in immediately available funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than three (3) Business Days prior to the purchase date.

(iv) Variable Rate Notes bearing interest at a Quarterly or Semiannual Rate may be tendered for purchase on Interest Payment Date for such Variable Rate Notes at a price payable in clearing house funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than seven (7) days prior to the purchase date.

(v) Variable Rate Notes bearing interest at a Term Rate may be tendered for purchase on the commencement date the following Rate Period for such Variable Rate Notes at a price payable in clearing house funds upon delivery of a written notice of tender not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than seven (7) days prior to the purchase date.

(vi) Notwithstanding any provision in this subsection to the contrary, any Registered Owner who has elected to retain Variable Rate Notes upon a conversion from one Rate Period to another in the manner prescribed in Section 4.03 or Section 4.04 may no longer elect to have their Variable Rate Notes purchased as provided in this Section 4.01.

(b) Notice of Tender. Each notice of tender:

(i) shall, in the case of a written notice, be delivered to the Paying Agent at its corporate trust office and be in form satisfactory to the Paying Agent;

(ii) shall state, whether delivered in writing or by telephone (A) the principal amount of the Variable Rate Note to which the notice relates, (B) that the Holder irrevocably demands purchase of such Variable Rate Note or a specified portion thereof in an amount equal to the lowest denomination, then authorized pursuant to Section 2.07(b) hereof or a whole multiple of such lowest denomination, hereof or a whole multiple of such lowest denomination, (C) the date on which such Variable Rate Note or portion is to be purchased, and (D) payment instructions with respect to the purchase price; and

(iii) shall automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer to sell the Variable Rate Note (or portion thereof) to which the notice relates on the purchase date to any purchaser selected by the Remarketing Agent, at a price equal to the principal amount of such Variable Rate Note (or portion thereof) plus any interest thereon accrued and unpaid as of the purchase

date, (B) an irrevocable authorization and instruction to the Paying Agent to effect transfer of such Variable Rate Note (or portion thereof) upon payment of such price to the Paying Agent on the purchase date, (C) an irrevocable authorization and instruction to the Paying Agent to effect the exchange of the Variable Rate Note to be purchased in whole or in part for other Variable Rate Notes in an equal aggregate principal amount so as to facilitate the sale of such Variable Rate Note (or portion thereof to be purchased), and (D) an acknowledgement that such Registered Owner will have no further rights with respect to such Variable Rate Note (or portion thereof) upon payment of the purchase price thereof to the Paying Agent on the purchase date, except for the right of such Registered Owner to receive such purchase price upon surrender of such Variable Rate Note to the Paying Agent and that after the purchase date such Registered Owner will hold an undelivered certificate as agent for the Paying Agent.

The determination of the Paying Agent as to whether a notice of tender has been properly delivered pursuant to the foregoing shall be conclusive and binding upon the Registered Owner. The Paying Agent may waive nonconforming tenders.

(c) Variable Rate Notes to be Remarketed. Not later than 11:00 a.m., New York City time, on the Business Day immediately following the date of receipt of any notice of tender (or immediately upon such receipt, in the case of Variable Rate Notes bearing interest at Daily Rates), the Paying Agent shall notify, by telephone promptly confirmed in writing, in the case of a Daily or Weekly Rate, and in writing in all other cases an Authorized Representative, the Remarketing Agent and the Bank of the principal amount of Variable Rate Notes (or portions thereof) to be purchased and the date of purchase.

(d) Remarketing of Tendered Variable Rate Notes. Unless otherwise instructed by an Authorized Representative, the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Variable Rate Notes or portions thereof for which notice of tender has been received pursuant to Section 4.01(c) above. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price for tendered Variable Rate Notes by the Remarketing Agent to the Paying Agent (in exchange for new registered Variable Rate Notes) (i) in immediately available funds at or before 2:00 p.m., New York City time, on the purchase date, in the case of Variable Rate Notes bearing interest at Daily, Weekly, Monthly, or Quarterly Rates, and (ii) in clearing house funds at or before 12:00 p.m., New York City time, on the purchase date, in the case of Variable Rate Notes bearing interest at Semiannual or

Term Rates. Notwithstanding the foregoing, the Remarketing Agent shall not sell any Variable Rate Note for which a notice of conversion from one type of Variable Rate Period to another, to Flexible Rate Periods or to a Fixed Rate Period has been given by the Paying Agent unless the Remarketing Agent has advised the person to whom the sale is made of the conversion.

(e) Purchase of Tendered Variable Rate Notes.

(i) Notice. At or before 3:00 p.m., New York City time, on the Business Day immediately preceding the date fixed for purchase of tendered Variable Rate Notes (or 12:45 p.m., New York City time, on the purchase date in the case of Variable Rate Notes bearing interest at Daily Rates), the Remarketing Agent shall give notice by telephone, telegram, telecopy, telex, or other similar communication to the an Authorized Representative and the Paying Agent of the principal amount of tendered Variable Rate Notes which were remarketed. Not later than 5:00 p.m. (or 1:30 p.m., in the case of Variable Rate Notes bearing interest at Daily Rates), New York City time, on the date of receipt of such notice the Paying Agent shall give notice by telephone, telegram, telecopy, or other similar communication to an Authorized Representative and the Bank specifying the principal amount of tendered Variable Rate Notes as to which the Remarketing Agent has not found a purchaser. At or before 3:00 p.m., New York City time on the day prior to the purchase date to the extent known to the Remarketing Agent, but in any event, no later than 11:00 a.m. (or 1:00 p.m., in the case of Variable Rate Notes bearing interest at Daily Rates), New York City time, on the date fixed for purchase, the Remarketing Agent shall give notice to the Paying Agent by telephone (promptly confirmed in writing) of any change in the names, addresses, and taxpayer identification numbers of the purchasers, the denominations of Variable Rate Notes to be delivered to each purchaser, and, if available, payment instructions for regularly scheduled interest payments.

(ii) Sources of Payment. The Remarketing Agent shall cause to be paid to the Paying Agent for deposit in the Series A Note Payment Fund on the date fixed for purchase of tendered Variable Rate Notes, all amounts representing proceeds of the remarketing of such Variable Rate Notes, such payments to be made in the manner and at the time specified in Section 4.01(d) above. If such amounts, plus all other amounts received by the Paying Agent for the purchase of tendered Variable Rate Notes, are not sufficient to pay the

principal amount plus the accrued and unpaid interest thereon to the purchase date (if any), the Paying Agent shall immediately notify the Authorized Representative and the Bank, of any deficiency. The Board shall deliver or through Advances under the Credit Agreement (provided that any Advance under the Credit Agreement shall be in an amount equal to an authorized denomination of the Notes being purchased) cause to be delivered to the Paying Agent (A) immediately available funds in an amount at least equal to such deficiency prior to 3:30 p.m., New York City time, on the date set for purchase of tendered Variable Rate Notes bearing interest at Daily, Weekly, Monthly, or Quarterly Rates, and (B) clearing house funds in an amount at least equal to such deficiency prior to 3:30 p.m., New York City time on the date set for purchase of tendered Variable Rate Notes bearing interest at Semiannual or Term Rates. All monies received by the Paying Agent as remarketing proceeds and additional amounts, if any, received from the Board or the Bank, if any, shall be deposited by the Paying Agent in the Series A Note Payment Account to be used solely for the payment of the purchase price of tendered Variable Rate Notes and shall not be commingled with other funds held by the Paying Agent; if any such monies exceed the amounts required to pay the purchase price of tendered Variable Rate Notes, such excess shall be paid to the Bank to the extent necessary to repay any Advance under the Credit Agreement and then to the Board.

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

(iv) Registration and Delivery of Tendered or Purchased Variable Rate Notes. On the date of

purchase, the Paying Agent shall register and deliver (or hold) or cancel all Variable Rate Notes purchased on any purchase date as follows: (A) Variable Rate Notes purchased or remarketed by the Remarketing Agent shall be registered and made available (delivered in the case of Variable Rate Notes bearing interest at Flexible Rates) to the Remarketing Agent by 2:00 p.m. in accordance with the instructions of the Remarketing Agent; (B) Variable Rate Notes purchased with amounts drawn under the Credit Agreement, if any, or purchased for cancellation upon the directions of an Authorized Representative shall be cancelled; and (C) Variable Rate Notes purchased with amounts provided by the Board shall be registered in the name of the Permanent University Fund and shall be held in trust by the Paying Agent on behalf of the Permanent University Fund and shall not be released from such trust unless the Paying Agent shall have received written instructions from an Authorized Representative.

(v) Sale of Variable Rate Notes to Refund Advances Under Revolving Note. In the event that any Variable Rate Notes are purchased with amounts drawn under the Credit Agreement or are registered to the Permanent University Fund pursuant to subparagraph (iv) above to the extent requested by an Authorized Representative, the Remarketing Agent shall offer for sale and use its best efforts to sell such Variable Rate Notes registered to the Permanent University Fund or new Variable Rate Notes in a principal amount equal to the principal amount of Variable Rate Notes purchased and cancelled pursuant to a draw under the Credit Agreement, as the case may be, at a price equal to the principal amount thereof plus accrued interest. Variable Rate Notes to be sold to refund the amounts due under the Revolving Note shall not be delivered upon remarketing unless the Credit Agreement is reinstated for the principal amount thereof and interest thereon in accordance with its terms and the Remarketing Agent has been advised of such reinstatement by the Bank.

(vi) Delivery of Variable Rate Notes; Effect of Failure to Surrender Variable Rate Notes. All Variable Rate Notes to be purchased on any date shall be required to be delivered to the corporate trust office of the Paying Agent at or before 1:00 p.m. New York City time, on the purchase date except for Variable Rate Notes delivered in accordance with Section 4.07 hereof which may be delivered on the purchase date. If the Registered Owner of any Variable Rate Note (or portion thereof) that is subject to purchase pursuant to this Section fails to deliver such Variable Rate

Note to the Paying Agent for purchase on the purchase date, and if the Paying Agent is in receipt of the purchase price therefor, such Variable Rate Note (or portion thereof) shall nevertheless be deemed purchased on the day fixed for purchase thereof and ownership of such Variable Rate Note (or portion thereof) shall be transferred to the purchaser thereof as provided in Section 4.01(e)(iv) above. Any Registered Owner who fails to deliver such Variable Rate Note for purchase shall have no further rights thereunder except the right to receive the purchase price thereof upon presentation and surrender of said Variable Rate Note to the Paying Agent. The Paying Agent shall, as to any tendered Variable Rate Notes which have not been delivered to it (i) promptly notify the Remarketing Agent of such nondelivery and (ii) place a stop transfer against an appropriate amount of Variable Rate Notes registered in the name of such Registered Owner(s) on the Registration Books. The Paying Agent shall place such stop(s) commencing with the lowest serial number Variable Rate Note registered in the name of such Registered Owner(s) until stop transfers have been placed against an appropriate amount of Variable Rate Notes until the appropriate tendered Variable Rate Notes are delivered to the Paying Agent. Upon such delivery, the Paying Agent shall make any necessary adjustments to the bond Registration Books.

Section 4.02. Tenders During Flexible Rate Periods.

(a) Purchase Dates. Each Variable Rate Note bearing interest at a Flexible Rate shall be subject to mandatory tender for purchase, on the last day of each Flexible Rate Period applicable to such Variable Rate Note at a purchase price equal to 100% of the principal amount thereof, plus interest accrued during such Flexible Rate Period, subject, however, to the right of the Registered Owner to elect to retain his investment in the Variable Rate Note by irrevocable telephonic or written notice delivered to the Paying Agent or the Remarketing Agent, if authorized to receive such notice by the Paying Agent not later than 3:00 p.m. on the Business Day before the expiration of the then current term of such Flexible Rate for that Variable Rate Note (or 12:45 p.m., New York City time, on the expiration date, in the event of Variable Rate Notes with a Flexible Rate Period of one day). In the event a Registered Owner of a Variable Rate Note bearing interest at a Flexible Rate desires to retain his investment, the Registered Owner must present his Variable Rate Note to the Paying Agent in exchange for payment of principal and accrued interest in immediately available funds and the Paying Agent will authenticate and deliver to the Remarketing Agent for redelivery to such Registered Owner a substitute Variable Rate Note for the

term of the succeeding Flexible Rate Period in replacement of the old Variable Rate Note. Each such Flexible Rate Period and mandatory tender date for a Variable Rate Note shall be established on the date of purchase of such Variable Rate Note as hereinafter provided. The Registered Owner of any Variable Rate Note bearing interest at a Flexible Rate and tendered for purchase as provided in this Section 4.02(a) shall provide the Paying Agent with payment instructions for the purchase price of its Variable Rate Note upon tender thereof to the Paying Agent. The Paying Agent shall notify by telephone the Remarketing Agent immediately upon receipt of notice of any election to retain Variable Rate Notes.

(b) Remarketing of Tendered Variable Rate Notes. Not later than 3:00 p.m., New York City time, on the Business Day immediately preceding each purchase date (or 12:45 p.m., New York City time, on the purchase date, in the event of Variable Rate Notes with a Flexible Rate Period of one day), the Remarketing Agent shall offer for sale and use its best efforts to find purchasers for all Variable Rate Notes bearing interest at Flexible Rates required to be purchased on the ensuing purchase date. Subject to the provisions of Section 3.03, in remarketing the Variable Rate Notes, the Remarketing Agent shall offer and accept purchase commitments for the Variable Rate Notes for such Flexible Rate Periods and at such Flexible Rates as it deems to be advisable in order to minimize the net interest cost on the Variable Rate Notes under prevailing market conditions; provided, however, that the foregoing shall not prohibit the Remarketing Agent from accepting purchase commitments for longer Flexible Rate Periods (and at higher Flexible Rates) than are otherwise available at the time of any remarketing if the Remarketing Agent determines that, under prevailing market conditions, a lower net interest cost on the Variable Rate Notes can be achieved over the longer Flexible Rate Period. Notwithstanding the foregoing, no Flexible Rate Period may be established which exceeds 180 days or, if the Remarketing Agent has given or received notice of any conversion to a Variable Rate Period or Fixed Rate Period, the remaining number of days prior to the Conversion Date. The terms of any sale by the Remarketing Agent shall provide for the authorization of the payment of the purchase price by the Remarketing Agent to the Paying Agent in immediately available funds in exchange for Variable Rate Notes registered in the name of the new Registered Owner delivered to the Remarketing Agent at or before 2:15 p.m., New York City time, on the purchase date. Such payment by the Remarketing Agent pursuant to authorization shall be made no later than 2:45 p.m., New York City time on such date, unless the Remarketing Agent shall notify the Paying Agent that the Variable Rate Notes are to be reauthenticated in accordance with instructions from the Remarketing Agent.

(c) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to tenders pursuant to this Section 4.02; provided that, for the purpose of so applying such provisions;

(i) The notices required pursuant to Section 4.01(e)(i) shall be given on the date of purchase at or before (A) 1:00 p.m., New York City time, in the case of the notice from the Remarketing Agent as to the principal amount of Variable Rate Notes remarketed, (B) 1:30 p.m., New York City time, in the case of the notice from the Paying Agent of the principal amount of Variable Rate Notes remarketed, and (C) 1:00 p.m., New York City time, in the case of the notice from the Remarketing Agent providing information concerning the purchasers of the Variable Rate Notes;

(ii) the manner and time of payment of remarketing proceeds shall be as specified in subsection 4.02(b) above;

(iii) all payments to tendering Holders shall be paid in immediately available funds on the purchase date; and

(iv) the deliveries of Variable Rate Notes under Section 4.02(a) shall be required to be made at or before 3:00 p.m., New York City time, on each purchase date.

Section 4.03. Tender Upon Variable or Flexible Rate Conversion.

(a) Conversions to Variable Rate Periods. On any Variable Rate Conversion Date pursuant to Section 3.02(h) or 3.02(i) hereof, the Variable Rate Notes shall be subject to optional or mandatory tender on such date as follows:

(i) Variable Rate Notes to be converted from Flexible Rate Periods to a Variable Rate Period or from any Variable Rate Period to a different type of Variable Rate Period (other than Variable Rate Notes to be converted from a Weekly Rate Period to a Daily Rate Period or from a Daily Rate Period to a Weekly Rate Period) are subject to mandatory tender for purchase on the Conversion Date at a purchase price equal to the principal amount thereof;

(ii) Holders of Variable Rate Notes may elect to retain their Variable Rate Notes (or authorized portions as described above) notwithstanding a mandatory tender pursuant to this subparagraph and Section 4.05 hereof, as follows:

(A) Upon a conversion to a Daily Rate Period or Weekly Rate Period from any Variable Rate Period (other than a Daily or Weekly Rate Period) or Flexible Rate Periods, a Registered Owner may elect to retain its Variable Rate Notes by delivering a written notice to the Paying Agent at its corporate trust officer of such election no later than 5:00 p.m. New York City time on a Business Day which is at least fifteen (15) days (or seven (7) days in the case of conversion from Flexible Rate Periods) prior to the Conversion Date; or

(B) Upon a conversion to a Variable Rate Period (other than a Daily or Weekly Rate Period) from a different type of Rate Period or from Flexible Rate Periods, a Registered Owner may elect to retain its Variable Rate Notes by delivering a written notice to the Paying Agent at its corporate trust officer of such election no later than 5:00 p.m., New York City time on a Business Day which is at least (i) seven (7) days prior to the Conversion Date in the event of a conversion to a Monthly Rate Period; or (ii) thirteen (13) days in the case of a conversion to a Quarterly Rate Period; or (iii) fifteen (15) days in the case of a conversion to a Semiannual or Term Rate Period.

(C) Promptly upon receipt of any such notices, the Paying Agent shall notify the Remarketing Agent of the Variable Rate Notes to be retained pursuant to such notices.

(b) Conversion To Flexible Rate Periods From Variable Rate Periods. On any Flexible Rate Conversion Date pursuant to Section 3.03(b) hereof, the Variable Rate Notes are subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof, subject, however, to the right of the Registered Owner to elect to retain his investment in his Variable Rate Notes as provided in Section 4.02(a) by irrevocable written notice delivered to the Paying Agent not later than 5:00 p.m., New York City time, at least three (3) Business Days prior to the Flexible Rate Conversion Date.

(c) Mandatory Denomination Tender. On any conversion to a Daily, Weekly, Monthly, or Quarterly Rate Period, any Variable Rate Note in a denomination which is not a whole multiple of \$100,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any

portion of its Variable Rate Notes which is in the denominations of any multiple of \$100,000 in the manner described in Section 4.03(d) hereof. On any conversion to a Semiannual or Term Rate period, any Variable Rate Note in a denomination which is not a whole multiple of \$5,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any portion of its Variable Rate Notes which is in the denomination of any multiple of \$5,000 in the manner described in Section 4.03(d) hereof. On any conversion to Flexible Rate Periods, any Variable Rate Note which is not in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 is subject mandatory tender for purchase on the Flexible Rate Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any Registered Owner may elect to retain any portion of its Variable Rate Note which is in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 in the manner described in Section 4.03(d) hereof. To the extent that any Variable Rate Note is not in an authorized denomination on a Mandatory Tender Date the excess amount shall be cancelled and retired.

(d) Notice of Election to Retain. Notices of elections to retain Variable Rate Notes pursuant to Sections 4.03(a), (b) and (c) above shall state the name of the Registered Owner, specify the principal amount of the Variable Rate Notes (or portions thereof) to which such notice relates, and direct the Paying Agent not to purchase the Variable Rate Notes (or portions) so specified. Any such notice delivered to the Paying Agent shall be irrevocable and binding upon the Registered Owner delivering the same and all subsequent Holders of the Variable Rate Notes to be retained, including any Variable Rate Notes to be issued in exchange therefor or upon transfer thereof. Any Registered Owner who elects to retain its Variable Rate Notes pursuant to this Section shall no longer have the right to tender its Variable Rate Notes for optional purchase pursuant to Section 4.01 hereof prior to the applicable Conversion Date.

(e) Notice to Holders. Any notice of a Conversion Date given to Holders pursuant to Section 3.02(h)(iii), 3.02(i)(iii) or 3.03(b)(iii) hereof shall, in addition to the requirements of such Section: (i) state whether the Variable Rate Notes to be converted will be subject to mandatory tender for purchase on the Conversion Date and the time at which Variable Rate Notes are to be tendered for purchase; (ii) specify the date and time by which any notice of a tender or of an election to retain Variable Rate Notes pursuant to this Section must be received; and (iii) if appropriate, specify the matters required to be stated in

notices of elections to retain Variable Rate Notes (or contain a form thereof).

(f) Remarketing. Promptly after receipt of any election to retain Variable Rate Notes, but in any event not later than 1:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of elections to retain Variable Rate Notes may be delivered to the Paying Agent pursuant to Section 4.03(a) or (b) above, the Paying Agent shall notify an Authorized Representative, the Remarketing Agent, and the Bank by telephone, telegram, teletype, or other similar communication, of the principal amount of Variable Rate Notes to be tendered for purchase on the Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Variable Rate Notes. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price of tendered Variable Rate Notes by the Remarketing Agent to the Paying Agent in immediately available funds (or clearing house funds if Variable Rate Notes are converted from a Term or Semiannual Rate Period) at or before 2:00 p.m., New York City time, on the Conversion Date.

(g) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to tenders pursuant to this Section 4.03 with respect to Variable Rate Notes bearing interest at Variable Rates; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 4.01(e) shall be given as therein described, except that the provisions relating specifically to Variable Rate Notes bearing interest at Daily Rates shall be disregarded;

(ii) the manner and time of payment of remarketing proceeds referred to in Section 4.01(e)(ii) shall be as specified in Section 4.03(f) above;

(iii) all payments to tendering Holders referred to in Section 4.01(e)(iii) shall be made in immediately available funds unless the Variable Rate Notes to be purchased bear interest at Semiannual or Term Rates, in which event such payments shall be made in clearing house funds; and

(iv) the deliveries of Variable Rate Notes under Section 4.01(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, on the Conversion Date (or 5:00 p.m., New York City time, on the second (2nd) Business Day prior to the Conversion Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates).

The provisions of Section 4.02(c) shall apply to tenders pursuant to this Section 4.03 with respect to Variable Rate Notes bearing interest at Flexible Rates.

Section 4.04. Tender Upon Fixed Rate Conversion.

(a) Mandatory Tender Upon Conversion. Any Variable Rate Notes to be converted to bear interest at the Fixed Rate pursuant to Section 3.04 hereof shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date at a price equal to the principal amount thereof; provided that the Holders of any such Variable Rate Notes may elect to retain their Variable Rate Notes notwithstanding a mandatory tender pursuant to this Section by delivering to the Paying Agent at its corporate trust office not later than 5:00 p.m., New York City time, on a Business Day which is not fewer than fifteen (15) days prior to the Fixed Rate Conversion Date a written notice of such election. Such written notice shall:

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

(ii) state that the Registered Owner is aware of the fact that, after the Fixed Rate Conversion Date, the Variable Rate Notes will no longer be subject to tender at the option of the Registered Owner;

(iii) direct the Paying Agent not to purchase the Variable Rate Notes of such Registered Owner; and

(iv) be irrevocable and binding upon the Registered Owner delivering such notice and all subsequent Holders of the Variable Rate Notes to be retained, including any Variable Rate Notes issued in exchange therefor or upon transfer thereof.

(b) Notice to Holders. Any notice of conversion given to Holders pursuant to Section 3.04(c) hereof shall, in addition to the requirements of such Section, specify the date and time by which any notice of election to retain Variable Rate Notes pursuant to this Section must be received, and specify the matters required to be stated in such notices (or contain the form thereof).

(c) Remarketing. At or before 4:00 p.m., New York City time, on the Business Day immediately following the last day on which notices of elections to retain Variable Rate Notes may be delivered to the Paying Agent pursuant to Section 4.04(a) above, the Paying Agent shall notify an Authorized Representative, the Remarketing Agent, and the

Bank by telephone, telegraph, teletype, telex, or other similar communication, of the principal amount of Variable Rate Notes to be tendered for purchase on the Fixed Rate Conversion Date. The Remarketing Agent shall offer for sale and use its best efforts to find purchasers for such Variable Rate Notes; provided that in no event shall the Remarketing Agent sell any such Variable Rate Note for sale to any person unless the Remarketing Agent has advised such person of the fact that, after the Fixed Rate Conversion Date, the Variable Rate Notes will no longer be subject to tender at the option of the Registered Owner. The terms of any sale by the Remarketing Agent shall provide for the payment of the purchase price to the Paying Agent of the tendered Variable Rate Notes in immediately available funds (or clearinghouse funds in the event of conversion from a Term Rate or Semiannual Rate) at or before 3:00 p.m., New York City time.

(d) Purchase of Tendered Variable Rate Notes. The provisions of Section 4.01(e) shall apply to mandatory tenders pursuant to this Section 4.04; provided that, for the purpose of so applying such provisions:

(i) the notices required pursuant to Section 4.01(e)(i) shall be given as therein described, except that the provisions relating specifically to Variable Rate Notes bearing interest at Daily Rates shall be disregarded;

(ii) the manner and time of payment of remarketing proceeds referred to in Section 4.01(e)(ii) shall be as specified in subsection 4.04(c) above; and

(iii) the deliveries of Variable Rate Notes under Section 4.01(e)(vi) shall be required to be made at or before 1:00 p.m., New York City time, (3:00 p.m., New York City time in the case of Variable Rate Notes bearing interest at Flexible Rate), on the Conversion Date (or 5:00 p.m., New York City time, on the second (2nd) Business Day prior to the Conversion Date in the case of Variable Rate Notes bearing interest at Semiannual or Term Rates).

Section 4.05. Mandatory Tender Upon Expiration of Credit Agreement.

(a) At all times prior to conversion to a Fixed Rate, the Variable Rate Notes shall be subject to mandatory purchase upon the expiration or termination of the Credit Agreement, subject to the right of the Registered Owner to retain his Variable Rate Note, which purchase shall occur:

(i) on the last Business Day prior to the termination or expiration of the Credit Agreement, provided that no such tender and purchase shall be required if the Credit Agreement is renewed prior to the date of notice to Registered Owner pursuant to subsection 4.05(b) below; or

(ii) on the last Business Day prior to the substitution of a new Credit Agreement, for such Variable Rate Notes, provided that no such tender and purchase shall be required if prior to the date of notice to the Registered Owner pursuant to subsection 4.05(b) below, the Remarketing Agent and the Paying Agent shall have received confirmation from Standard & Poor's or Moody's or Fitch (or any of them) to the effect that the rating or ratings assigned by any of such agencies to the Variable Rate Notes will not be lowered as a result of the expiration or substitution.

(b) Not later than thirty (30) days prior to the purchase date, the Paying Agent shall mail a written notice of the purchase to the Holders of all Variable Rate Notes subject to purchase, which notice shall specify (i) the purchase date, and (ii) the event requiring the purchase pursuant to subsection (a) above.

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

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

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

(iii) direct the Paying Agent not to purchase the Variable Rate Notes of such Holders; and

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

Section 4.06. Inadequate Funds for Tenders. If the funds available for purchases of Variable Rate Notes pursuant to this Article IV are inadequate for the purchase of all Variable Rate Notes tendered on any purchase date, the Paying Agent shall, after any applicable grace period: (a) return all tendered Variable Rate Notes to the Holders thereof; (b) return all moneys received for the purchase of such Variable Rate Notes to the Persons providing such moneys; and (c) notify an Authorized Representative of the return of such Variable Rate Notes and moneys and the failure to make payment for tendered Variable Rate Notes.

Section 4.07. Tenders or Waivers By Investment Companies. The Registered Owner of any Variable Rate Note issued hereunder may, at its option, notify the Remarketing Agent and the Paying Agent in writing that it is an Investment Company, or is holding Note(s) on behalf of an Investment Company and in such notice either (a) irrevocably waive its option to retain its Note(s) subject to mandatory tender pursuant to Section 4.03(a), (b) or (c) and 4.04(a) hereof or (b) irrevocably elect to have its Note(s) purchased on the next date on which such Note(s) may be purchased pursuant to Section 4.01 hereof. In the event of a notice under clause (b) above, the notice from the purchaser shall contain the information required under Section 4.01(b) hereof. Any notice delivered by an Investment Company with respect to its Note(s) shall be irrevocable with the same effect described in Section 4.01(b)(iii).

Section 4.08. Mandatory Tender at End of Initial Flexible Rate Period. Notwithstanding any provision of this Resolution to the contrary, the Variable Rate Notes initially issued hereunder shall be subject to mandatory tender, without right of retention by the Registered Owner at the end of the initial Flexible Rate Period (December 20, 1985).

ARTICLE V

ISSUE AND SALE OF NOTES

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

(b) All Project Notes sold to refund Notes, including amounts outstanding under the Revolving Note which evidence

Advances under the Agreement are hereby deemed to be "refunding bonds" within the meaning of the Constitutional Amendment and therefore may be sold in the manner determined by an Authorized Representative to be most economically advantageous to the Board.

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

(i) if the Commercial Paper Notes are being issued to pay Project Costs, (A) the bidding

requirements set forth in this Resolution have been satisfied and (B) attached to such instructions is (1) a No-Arbitrage Certificate (as described in Section 6.05), (2) an approving opinion of Bond Counsel, and (3) an opinion of the general counsel of the University that the Commercial Paper Notes are being issued to pay Project Costs for Eligible Projects;

(ii) no Event of Default under Section 7.01 has occurred and is continuing as of the date of such Certificate and that the Issuing and Paying Agent has not received a No-Issuance Notice (as defined in the Agreement);

(iii) the Board is in compliance with the covenants set forth in Section 2.13 and Article VI as of the date of such instructions;

(iv) that the sum of the interest payable on such Commercial Paper Note and any discount established for such Commercial Paper Note will not exceed a yield (calculated on the principal amount of the Commercial Paper Note on the basis of a 365-day year and actual days elapsed) to the maturity date of such Commercial Paper Note in excess of the Maximum Interest Rate in effect on the date of issuance of such Commercial Paper Note;

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

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

(d) The Revolving Note shall be delivered to the Bank and thereafter Advances may be made thereunder in accordance with the terms of the Agreement.

(e) Variable Rate Notes shall be issued and sold at public or private sale in the same manner provided for the issuance and sale of Commercial Paper Notes in subsections (a), (b) and (c) of this Section 5.01 and pursuant to the provisions of Articles III and IV; except that the certification described in Section 5.01(c)(iv) shall be calculated on the basis of a 360-day year of twelve 30-day months or a 365-day year and actual days elapsed, as applicable.

Section 5.02. Proceeds of Sale of Project Notes. The proceeds of the sale of any Project Notes (net of all expenses and costs of sale and issuance) shall be deposited into Series A Note Payment Fund, and shall be applied for any or all of the following purposes as directed by an Authorized Representative:

(i) Proceeds to be used for the payment and redemption or purchase of outstanding Project Notes at or before maturity and the refunding of any Advances (evidenced by the Revolving Note) under the Agreement shall be expended therefor.

(ii) Proceeds not to be retained in the Series A Note Payment Fund as provided in subparagraph (i) above shall be transferred to the Series A Note Construction Account and used and applied in accordance with the provisions of Section 2.14.

Section 5.03. Issuing and Paying Agent Agreement. That the Paying Agent/Registrar Agreement (the "Issuing and Paying Agent Agreement" or the "Paying Agent/Registrar Agreement") by and between the Board and Morgan Guaranty Trust Company of New York, New York, New York, relating to the Project Notes, in the form attached hereto as Exhibit C, is hereby approved as to form and content and an Authorized Representative is hereby authorized and directed to execute the same for and on behalf of the Board and, in connection with the execution thereof, approve such changes, additions, or amendments thereto as may be necessary and proper to carry out the purpose and intent of such Issuing and Paying Agent Agreement. The Board is hereby authorized to enter into any supplemental agreements with the Issuing and Paying Agent or with any successor Issuing and Paying Agent.

Section 5.04. Remarketing Agreement. That the Remarketing Agreement (the "Remarketing Agreement") in the form attached hereto as Exhibit D with Goldman, Sachs & Co. (the "Dealer" or "Remarketing Agent") pertaining to the sale, from time to time, of Project Notes or the purchase of Project Notes from the Board, all for a fee as set forth in said Remarketing Agreement, is hereby approved as to form and content and an Authorized Representative is hereby authorized and directed to execute the same for and on

behalf of the Board and, in connection with the execution thereof, approve such changes, additions, or amendments thereto as may be necessary and proper to carry out the purpose and intent of such Remarketing Agreement. The Board may enter any supplemental agreements with the Dealer or with any successor Dealer selected by the Board.

Section 5.05. Initial Sale. The Variable Rate Notes shall be originally issued as Flexible Rate Notes in the aggregate principal amount of \$100,000,000. The initial Variable Rate Notes shall be sold through competitive bid in accordance with the procedures described in the Official Notice of Sale and Official Bid Form attached hereto as Exhibit E; provided, that, an Authorized Representative may vary the date and times of such competitive sale.

ARTICLE VI

COVENANTS OF THE BOARD

Section 6.01. Limitation on Issuance. Unless this Resolution and the Agreement is amended and modified by the Board in accordance with the provisions of Section 8.01 hereof, the Board covenants that there will not be issued and outstanding at any time more than \$100,000,000 in principal amount of Project Notes. The Board, however, does reserve the right to issue additional Project Notes in excess of said amount by resolution duly adopted by the Board. For purposes of this Section 6.01 any portion of outstanding Project Notes to be paid on the day of calculation from moneys on deposit in the Series A Note Payment Fund and the proceeds of Notes, Short Term Obligations, Fund Priority Obligations or other obligation of the Board issued pursuant to the Constitutional Amendment shall not be considered outstanding.

Additionally, the Board covenants and agrees that the total principal amount of all Project Notes outstanding at any one time and the total amount of interest accrued or to accrue thereon in the succeeding 214 days following such date of calculation shall not exceed the sum total of the "Available Bank Loan Commitment" (as defined in the Agreement) plus the amount on deposit in the Series A Note Payment Fund and the Special System Account.

Section 6.02. General Covenant. The Board covenants and agrees that while the currently outstanding Permanent University Fund Obligations are outstanding, the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law.

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

Section 6.04. Maintenance of Available Credit Facilities Requirement. (a) The Board agrees and covenants that at all times while there are outstanding Commercial Paper Notes or Variable Rate Notes which have not been converted to a Fixed Rate it will maintain credit facilities with banks in amounts such that, assuming that all then outstanding Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate were to become due and payable immediately, the amount available for borrowing under the credit facilities would be sufficient at that time to pay principal of all such Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate, and interest thereon for 214 days computed at the rate of 15% per annum. No Commercial Paper Notes or Variable Rate Notes which have not been converted to a Fixed Rate shall be issued which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate covered by the credit facility, the aggregate principal amount of all Commercial Paper Notes and Variable Rate Notes which have not been converted to a Fixed Rate and interest thereon covered by the credit facility would exceed the amount of the credit commitment under the credit facility. The availability for borrowing of such amounts under the credit facilities may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board. In furtherance of the foregoing covenant, the Board agrees that it will not issue any Project Notes or make any borrowings which will result in a violation of such covenant, will not amend the Agreement in a manner which will cause a violation of such covenant and, if and to the extent necessary to maintain compliance with such covenant, and will arrange for new credit facilities prior to, or contemporaneously with, the expiration of the Agreement.

(b) The Agreement presently satisfies the covenant contained in paragraph (a) above with respect to the issuance of up to \$100,000,000 in aggregate principal amount at any one time outstanding of Commercial Paper Notes and Variable Rate Notes, which have not been converted to a Fixed Rate.

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

Section 6.06. Notes to Remain Tax Exempt. The Board covenants that it will execute and deliver to the Issuing and Paying Agent a No-Arbitrage Certificate in the form prescribed by Bond Counsel in connection with the original issuance of the Notes, and each issuance of Notes thereafter to pay Project Costs, and that in connection with any other issuance of Notes, it will execute and deliver to the Issuing and Paying Agent a confirmation that the facts, estimates, circumstances and reasonable expectations contained therein continue to be accurate as of such issue date. The Board represents and covenants that it will not expend, or permit to be expended, the proceeds of any Notes in any manner inconsistent with its reasonable expectations as certified in the No-Arbitrage Certificates to be executed from time to time with respect to the Notes; provided, however, that the Board may expend Note proceeds in any manner if the Board first obtains an unqualified opinion of Bond Counsel that such expenditure will not impair the exemption from federal income taxes of interest paid on the Notes. The Board represents that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is an issuer whose arbitrage certifications may not be relied upon. The Board further covenants with the Holders of all Notes at any time outstanding that no use of the proceeds of any of the Notes or any other funds of the Board will be made which will cause any of such Notes to be "arbitrage bonds" subject to federal income taxation by reason of Section 103(c) of the Internal Revenue Code of 1954, as amended. To that end, so long as any of the Notes are outstanding, the Board, with respect to such proceeds and other funds, shall comply with all requirements of said Section 103(c) and of all regulations of the United States Department of the Treasury issued thereunder, to the extent that such regulations are, at the time, applicable and in effect.

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

Section 6.08. Opinion of Bond Counsel. The Board shall cause the legal opinion of Bond Counsel as to the validity of the Notes and as to the exemption of interest on the Notes from federal income taxation to be furnished to any Holder without cost.

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

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

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF NOTEHOLDERS

Section 7.01. Events of Default. If one or more of the following events (an "Event of Default" or "Events of Default") shall happen, to-wit:

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

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

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

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

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

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

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

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

(4) to make any changes or amendments requested by Standard & Poor's, Moody's, or Fitch as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the Holders; or

(5) to make any changes or amendments with respect to Commercial Paper Notes if there are no Commercial Paper Notes then outstanding or with respect

to any mode of the Variable Rate Notes if there are no Variable Rate Notes then outstanding in such mode;

provided, however, except for such changes as may be required by Moody's, Standard & Poor's or Fitch as the condition for the granting or maintenance of a rating on the Project Notes by any such entity, nothing herein contained shall permit or be construed to permit the amendment of the terms and conditions of this Resolution or in the Notes so as to:

(1) Make any change in the stated maturity of any of the outstanding Project Notes;

(2) Reduce the rate of interest borne by any of the outstanding Project Notes;

(3) Reduce the amount of the principal payable on any of the outstanding Project Notes;

(4) Modify the terms of payment of principal or interest on the outstanding Project Notes, or impose any conditions with respect to such payment;

(5) Affect the rights of the Holders of less than all of the outstanding Project Notes; and

(6) Reduce or restrict the pledge made herein (Section 2.12) for payment of the Project Notes.

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

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

as Exhibits A through E, inclusive, and any technical amendments to this Resolution as may be required by Moody's, Standard & Poor's, or Fitch as a condition to the granting of a rating on the Project Notes.

Section 8.03. Resolution to Constitute a Contract; Equal Security. In consideration of the acceptance of the Notes, the issuance of which is authorized hereunder, by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Notes and the pledge made in this Resolution by the Board and the covenants and agreements set forth in this Resolution to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Notes authorized hereunder over any of the others by reason of time of issuance, sale or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Resolution or, with respect to the Revolving Note, the Agreement.

Section 8.04. Severability of Invalid Provisions. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Notes issued hereunder.

Section 8.05. Payment and Performance on Business Days. Except as provided to the contract in the Form of Notes or in Article III and IV, whenever under the terms of this Resolution or the Notes, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Notes, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Notes, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 8.06. Defeasance. If, when all or any portion of the Project Notes shall have become due and payable in accordance with their terms or otherwise as provided in this Resolution, the entire principal and interest so due and payable upon said Project Notes shall be paid, or if at or

prior to the date said Project Notes have become due and payable, sufficient moneys or direct obligations of, or obligations guaranteed by, the United States of America the principal of and interest on which will provide sufficient moneys for such payment upon maturity, to the date upon which the Project Notes have been called for redemption or to a mandatory tender date (after taking into account any demand payment provisions), shall be held by the Issuing and Paying Agent and provision shall also be made for paying all other sums payable hereunder by the Board with respect to said Project Notes, the rights, title and interest of the Holders of the Project Notes in the Interest of the University in the Available University Fund shall thereupon cease, terminate and become discharged and said Project Notes shall no longer be deemed outstanding for purposes of this Resolution and all the provisions of this Resolution, including all covenants, agreements, liens and pledges made herein, shall be deemed duly discharged, satisfied and released.

Section 8.07. Limitation of Benefits With Respect to the Resolution. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied from the provisions of this Resolution or the Notes is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement, any legal or equitable right, remedy or claim under or by reason of or in respect to this Resolution or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Resolution and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Noteholders, the Issuing and Paying Agent/Registrar and the parties to the Remarketing Agreement and the Agreement as herein and therein provided.

Section 8.08. Approval of Attorney General. No Notes herein authorized to be issued shall be sold or delivered by an Authorized Representative until the Attorney General of the State of Texas shall have approved this Resolution, the Agreement, and other agreements and proceedings as may be required in connection therewith, and therefor the Notes to be issued in accordance with such proceedings, all as is required by the Constitutional Amendment and the Acts.

Section 8.09. Approval of Official Statement. The form of Official Statement, to be used by the Dealer in the offering of the Variable Rate Notes, and the use thereof by the Dealer in connection therewith, is hereby approved, with such changes as are approved in accordance with the provisions of Section 8.02.

PASSED AND ADOPTED, this the _____ day of _____,
1985.

ATTEST:

Executive Secretary

Chairman

(Seal)

EXHIBIT A

DRAFT
of 12/5/85

\$109,000,000
CREDIT AGREEMENT
dated as of
December __, 1985

among

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM,

MBANK DALLAS, NATIONAL ASSOCIATION

and

MBANK AUSTIN, NATIONAL ASSOCIATION,
as Agent

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CREDIT AGREEMENT

This Credit Agreement is effective and dated as of December __, 1985, among the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), MBANK DALLAS, NATIONAL ASSOCIATION, a national banking association ("Bank"), and MBANK AUSTIN, NATIONAL ASSOCIATION, Austin, Texas, as Agent for Bank ("Agent").

W I T N E S S E T H:

WHEREAS, The University of Texas System (hereinafter sometimes referred to as the "System") is governed by the Board; and

WHEREAS, the Board has determined to issue obligations pursuant to the provisions of Section 18 of Article VII of the Constitution of the State of Texas, Article 717q, V.A.T.C.S., as amended and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code) to provide interim financing for Eligible Projects (hereinafter defined); and

WHEREAS, an amendment to Section 18 of Article VII of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984 (the "1984 Constitutional Amendment") authorizes the Board to issue bonds and notes not to exceed a total amount of twenty percent (20%) of the cost value of investments and other assets (exclusive of real estate) of the Permanent University Fund (hereinafter defined) at the time of issuance thereof, and to pledge all or any part of its two-thirds (2/3) interest in the "Available University Fund" (hereinafter defined) to secure the payment of the principal and interest of those bonds and notes, for the purpose of acquiring land either with or without permanent improvements, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the 1984 Constitutional Amendment or prior law, at or for System administration and certain component institutions of the System; and

WHEREAS, the Board has issued its Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985 (the "Series 1985 Bonds"), pursuant to the 1984 Constitutional Amendment, being payable from and secured by a first lien on and pledge of the Interest of the University (hereinafter defined) in the Available University Fund; and

WHEREAS, pursuant to its Resolution, adopted December 5, 1985 (the "Resolution"), the Board has authorized the issuance of obligations in an aggregate principal amount not to exceed One Hundred

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Nine Million Dollars (\$109,000,000) to provide interim financing to pay Project Costs for Eligible Projects (as such terms are hereinafter defined); and has authorized such obligations to be evidenced by Notes, and to refinance, renew, or refund Notes (hereinafter defined), including interest thereon including Commercial Paper Notes, Variable Rate Notes, and a Promissory Note (as such terms are defined in the Resolution) in an aggregate principal amount not to exceed One Hundred Nine Million Dollars (\$109,000.00) at any one time outstanding; and

WHEREAS, Bank has agreed to make certain loans to the Board in amounts up to, but not exceeding, One Hundred Nine Million Dollars (\$109,000,000) in aggregate principal amount outstanding at any time, such loans to be made to enable the Board to refund Project Notes (hereinafter defined), including interest thereon all pursuant to this Agreement.

NOW THEREFORE, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The terms defined below have the following meanings when used herein unless the context shall indicate a contrary meaning:

"Acts" shall mean, collectively, Article 717q, V.A.T.C.S., as amended, and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code).

"Advance" or "Advances" shall mean the disbursement or disbursements of funds advanced by Bank to the Board under the Promissory Note.

"Agent" shall mean MBank Austin, National Association, a national banking association with its offices in Austin, Texas, in its capacity as agent for the Bank hereunder, and any successor agent appointed in accordance with this Agreement.

"Agreement" shall mean this Credit Agreement, as from time to time amended or supplemented.

"Authorized Representative" shall mean one or more of the following officers or employees of the System, to-wit: The Executive Vice Chancellor for Asset Management, the Vice Chancellor and General Counsel, the Director Asset Strategy and Planning, the Manager of Debt Administration, and the Manager Endowment Real Estate or such other officer or employee of the System authorized by the System to act as an Authorized Representative.

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"Available Bank Loan Commitment" shall mean, with respect to Bank and at any date, the Bank Loan Commitment less the aggregate principal amount of Advances made by Bank to the Board.

"Available University Fund" shall mean, as provided in Article VII, Section 18 of the Texas Constitution, all of the dividends, interest, and other income from the Permanent University Fund (less administrative expenses), including the net income attributable to the surface of Permanent University Fund land.

"Bank" shall mean MBank Dallas, National Association, Dallas, Texas, a national banking association.

"Bank Loan Commitment" shall mean One Hundred Nine Million Dollars (\$109,000,000), being the maximum principal amount for which Bank is committed to make Advances, as such amount may be reduced pursuant to subsection 2.07 hereof.

"Basic Interest Rate" shall mean a rate of interest per annum equal to ~~ninety~~ ninety percent (90%) of the Index Rate.

"Board of Regents" or "Board" shall mean the Board of Regents of The University of Texas System.

"Bond Counsel" shall mean Messrs. McCall, Parkhurst & Horton, and Messrs. Vinson & Elkins.

"Business Day" shall mean any day (a) when banks are open for business in Dallas, Texas, and Austin, Texas, and (b) when banks are not authorized to be closed in New York, New York.

"Code" shall mean the Internal Revenue Code of 1954, as amended, and when reference is made to a particular section thereof, the applicable Treasury Regulations from time to time promulgated or proposed thereunder.

"Commercial Paper Note" shall mean a Note issued pursuant to the provisions of the Resolution, having the terms and characteristics specified in Section 2.03 thereof and in the form described in Section 2.07(a) thereof.

"Constitutional Amendment" shall mean the 1984 Constitutional Amendment, and any amendment thereto hereafter approved by the voters of the State of Texas.

"Constitutional Amendment Bond Resolution" shall mean any resolution authorizing the issuance of the Constitutional Amendment Bonds.

"Constitutional Amendment Bonds" shall mean the Series 1985, Bonds and any additional bonds and notes, including refunding bonds and notes, issued on a parity with the Series 1985 Bonds

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pursuant to the Constitutional Amendment, but not including the Notes and any Short Term Obligations not issued on a parity with the Series 1985 Bonds.

"Dealer" or "Remarketing Agent" shall mean the dealer or remarketing agent selected from time to time by the Board to remarket the Project Notes in accordance with Section 5.04 of the Resolution. The initial Dealer shall be Goldman, Sachs & Co.

"Default" or "Event of Default" shall mean any of the events described in Section 7.01 hereof.

"Dollar-Day" shall mean, for each day during any annual period (365 or 366 days, as the case may be) ending on any October 1 during the term of this Agreement, the quotient of (i) the sum of the aggregate principal amount of all Advances outstanding hereunder at 5:00 P.M. (local time in Austin, Texas) on such day, divided by (ii) the amount of the Bank Loan Commitment at such time on each such day.

"Eligible Project" shall mean the acquisition of land either with or without permanent improvements, the construction and equipping of buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, the acquisition of capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Amendment or prior law (law in effect prior to November 6, 1984). The term "Eligible Project" shall not include the construction, equipping, repairing or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics, or auxiliary enterprises.

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

"Fund Priority Obligations" shall mean the Series 1985 Bonds and any other obligations issued by the Board pursuant to the Constitutional Amendment which are secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund prior in rank and dignity to the lien and pledge securing the payment of the Notes, including any Constitutional Amendment Bonds.

"Holder" shall mean Bank and any other holder of the Promissory Note or any entity to which the Bank or any such other holder sells a participation in the Promissory Note (whether or not the Board was given notice of such sale and whether or not the Holder has an interest in the Promissory Note at the time amounts are payable to such Holder thereunder and under this Agreement) and

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any affiliated group (within the meaning of Section 1504 of the Code or any successor section thereto) of which any Holder is a member.

"Index Rate" shall mean a rate of interest per annum equal, calculated on the basis of a year of 365 or 366 days, as the case may be, to the interest rate applicable to 13-week United States Treasury bills on the basis of the average per annum rate at which such bills shall have been sold at a discount rate at the most recent Treasury auction prior to the date of determination of such Index Rate, such Index Rate being determined as of the date of the initial Advance, and thereafter such Index Rate being determined as of and adjusted on the first day of each January, April, July, and October during the term of this Agreement.

"Interest of the University" and "Interest" in the Available University Fund shall mean, with respect to the Constitutional Amendment Bonds, the System's two-thirds interest in the Available University Fund.

"Issuing and Paying Agent", "Paying Agent" or "Registrar" shall mean such agent appointed pursuant to the Resolution, or any successor to such agent.

"Maturity Date" shall mean the date seven years after the Term Loan Conversion Date, as such Term Loan Conversion Date may have been extended pursuant to Section 2.13 hereof.

"Maximum Interest Rate" shall mean the lesser of (a) the maximum nonusurious rate of interest permitted to be charged by applicable federal or Texas law (whichever shall permit the higher lawful rate) from time to time in effect and (b) the maximum net effective interest rate permitted by law to be paid on obligations issued or incurred by the Board in the exercise of its borrowing powers (currently prescribed by Article 717k-2, V.A.T.C.S., as amended, or any successor provision).

"1984 Constitutional Amendment" shall mean the amendment to Section 18 of Article VII of the Constitution of the State of Texas approved by voters November 6, 1984.

"1985 Constitutional Amendment Bond Resolution" shall mean the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds.

"Notice of Advance" shall mean a written borrowing request in substantially the form of Exhibit "B" attached hereto, with appropriate completions, executed by an Authorized Representative, which requests an Advance.

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"Note" or "Notes" shall mean the evidences of indebtedness authorized to be issued and at any time outstanding pursuant to the Resolution and shall include Commercial Paper Notes, Variable Rate Notes, or the Promissory Note, as appropriate.

"Notice of Default" shall mean a notice of a Default on an Event of Default under this Agreement.

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

"Permanent University Fund Obligations" shall mean, collectively, all bonds or notes of the Board or the Board of Regents of The Texas A&M University System heretofore or hereafter issued and delivered pursuant to the provisions of the Constitutional Amendment, including without limitation the Promissory Note, payable from and secured by a lien on and pledge of income from the Permanent University Fund.

"Person" shall mean an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"Principal Debt" shall mean, at any time, the outstanding principal amount of all Advances under the Promissory Note.

The term "Principal and Interest Requirements" means, with respect to any Fiscal Year, the amounts of principal of and interest on Fund Priority Obligations, Notes, and Short Term Obligations scheduled to be paid in such Fiscal Year from the Interest of The University in the Available University Fund. For purposes hereof, amortization of principal (a) with respect to Short Term Obligations shall be based on average annual amortization over the term of the obligation in question and (b) with respect to the Notes, shall be based upon the amortization required under the Promissory Note and Section 2.03 of this Agreement, assuming for purposes of such calculation that the Term Loan Conversion Date is the date at which Principal and Interest Requirements are being computed. If the rate or rates of interest to be borne by any Fund Priority Obligations, Notes or Short Term Obligations is not fixed, but is variable or adjustable by any formula, agreement, or otherwise, and therefore cannot be calculated as actually being scheduled to be paid in a particular amount for any particular period, then for the purposes of the previous sentence such Fund Priority Obligations, Notes or Short Term Obligations shall be deemed to bear interest at all times to maturity or due date at

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the annual rate equal to (A) with respect to Short Term Obligations and Fund Priority Obligations, the lesser of (i) the maximum rate then permitted by law, or (ii) the maximum rate specified therein to be borne by such Fund Priority Obligations or Short Term Obligations during the next Fiscal Year and (B) with respect to the Notes, the lesser of (i) the maximum rate then permitted by law, or (ii) the Term Interest Rate.

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

"Project Note" shall mean, as appropriate, a Note or all the Notes, other than the Promissory Note.

"Promissory Note" shall mean the refunding promissory bond issued pursuant to the provisions of the Resolution and this Agreement in evidence of Advances made by the Bank under this Agreement to refund a Project Note or Project Notes, such refunding promissory bond to be in substantially the form of Exhibit "A" attached hereto, with appropriate completions, and any and all renewals, extensions or modifications thereof. The Promissory Note is the "Revolving Note" referred to in the Resolution.

"Resolution" shall mean the Resolution of the Board, adopted on December 5, 1985, relating to the issuance of the Project Notes and the Promissory Note.

"Revolving Credit Period" shall mean the period from the Closing Date (as defined in Section 3.01) to but not including the Term Loan Conversion Date.

"Series 1985 Bonds" shall have the meaning set forth on page 1 of this Agreement.

"Short Term Obligations" shall mean bonds or other evidences of indebtedness hereafter issued and incurred by the Board (other than the Notes and this Agreement) payable from the same sources, or any portion of such sources, securing the payment of the Notes and equally and ratably secured by a parity lien on and pledge of such sources securing the Notes, or any portion thereof.

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"Special System Account" shall mean The State Treasurer-University of Texas Special System Account established by the Treasurer of the State of Texas pursuant to the Resolution.

"Stepped-Up Interest Rate" shall mean a rate of interest per annum equal to one hundred thirty percent (130%) of the Index Rate.

"Term Loan" shall mean the Principal Debt evidenced by the Promissory Note ~~from~~, after, and including the Term Loan Conversion Date.

"Term Loan Conversion Date" shall mean the third anniversary of the Closing Date (as defined in Section 3.01) or such later date, if any, as may be agreed to pursuant to Section 2.13(a) hereof.

"Term Interest Rate" shall mean a rate of interest per annum equal to one hundred thirty-five percent (135%) of the Index Rate.

"Variable Rate Note" shall mean a Note issued pursuant to the provisions of the Resolution, having the terms and characteristics specified in Section 2.04 and Articles III and IV thereof and in substantially the form described in Section 2.07(b) thereof the interest rate on which is adjusted from time to time in accordance with Article III thereof.

Section 1.02. Incorporation of Certain Definitions by Reference. Any terms with an initial capital letter which are used herein and which are not otherwise defined herein shall have the meanings assigned to them in the Resolution as in effect on the date hereof unless the context shall indicate a contrary meaning.

Section 1.03. Accounting Terms. All accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with Section 61.065 of the Texas Education Code.

ARTICLE II

REVOLVING CREDIT

Section 2.01. Commitment to Lend. Bank agrees that it will, during the Revolving Credit Period, and on the terms and conditions set forth in this Agreement, lend to the Board from time to time amounts up to, but not to exceed, an aggregate principal amount at any one time outstanding equal to the Bank Loan Commitment. Each Advance hereunder shall be made in such amount as may be requested by an Authorized Representative to refund amounts due or to come due under one or more Project Notes, including any

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amounts payable as a result of the exercise of any demand provision contained in the Project Notes. Within the foregoing limits, the Board may borrow under this Section 2.01, prepay under Section 2.08 and reborrow under this Section 2.01 at any time and from time to time during the Revolving Credit Period.

Section 2.02. Method of Borrowing.

(a) Each Advance shall be made to the Board (or as directed by it) pursuant to its borrowing request made to the Agent as prescribed in this Section 2.02, which request shall be so made not later than 2:15 p.m. (local time in New York, New York) on the date of the proposed Advance, which date shall be a Business Day. A request for an Advance shall be made to the Agent by delivery or telecopy of a completed and signed Notice of Advance.

(b) Each telephone, telex, telecopy, computer or other electronic message requesting an Advance shall specify therein: (i) the requested time and date of such Advance (which may be the date of such request if the request for such Advance, howsoever made, is given by an Authorized Representative to the Agent no later than 2:15 p.m., local time in New York, New York on such date, and which otherwise may be any date not later than five (5) days after such request), and (ii) the amount of such Advance. Each Notice of Advance shall provide the foregoing information and shall further affirm certain other matters as set forth in the form of Notice of Advance. Upon receipt of the initial request for each Advance, the Agent shall promptly notify Bank of the contents thereof.

(c) Upon receipt by the Agent of the Notice of Advance, the Board's request for an Advance as therein set out shall not be revocable by the Board. At or prior to 3:30 p.m. (local time in New York, New York) on the date for which the Advance is requested, Bank shall make available, in Federal or other immediately available funds, to the Paying Agent the funds necessary for such Advance, and subject to satisfaction of the applicable conditions set forth in Section 3.02 hereof, for the account of the holders of Project Notes, as directed by the Board in its Notice of Advance.

Section 2.03. Promissory Note. The obligation of the Board to repay to Bank the principal of, and all other amounts payable in respect of, the Advances shall be evidenced by a single Promissory Note, payable to the order of Bank, and due and payable as follows:

(a) as to the principal thereof, no principal shall be due until after the Term Loan Conversion Date, when the Principal Debt outstanding on the Term Loan Conversion Date shall be and become due and payable in twenty-eight (28) successive quarterly installments, each to be in an amount

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equal to one-twenty-eighth (1/28th) of the Principal Debt, such installments commencing on the first day of January immediately following the Term Loan Conversion Date, and continuing thereafter on the first day of each April, July, October, and January thereafter, through and including the Maturity Date; and

(b) as to the accrued interest thereon, quarterly on the first day of each January, April, July, and October during the term of the Promissory Note, including without limitation the Term Loan Conversion Date and the Maturity Date; such installments of interest shall be payable in addition to the installment payments of principal due as set forth in the Promissory Note; and

(c) Bank is authorized to make a notation on the Promissory Note as to the date and amount of each Advance and each payment of principal, or interest, with respect thereto.

Section 2.04. Interest and Payments In Respect of Promissory Note. Interest shall be calculated and paid on the Promissory Note, and payments on the Promissory Note shall be made in accordance with the following provisions:

(a) The Principal Debt shall bear interest, for each day elapsed from and including the date such principal amount is advanced until, but not including, the date paid or prepaid at a rate of interest that is the lesser of (i) the Maximum Interest Rate; or (ii) either: (A) the Basic Interest Rate, for each such day for which interest is not calculated under clause (B) immediately following; or (B) the Stepped-Up Interest Rate for each such day when the sum of all Dollar-Days in the then current annual period exceeds 90; or (c) the Term Rate at all times from, after, and including the Term Loan Conversion Date.

(b) Notwithstanding anything contained herein or in the Promissory Note to the contrary:

(i) if the rate or amount of interest applicable to an outstanding Advance evidenced by the Promissory Note, when calculated or determined under the foregoing provisions, at any time would exceed the Maximum Interest Rate or would produce an amount which would be greater than the amount of interest determined at such rate, then the applicable rate and amount of interest payable in regard to the Promissory Note shall be reduced to the Maximum Interest Rate and the amount determined at a rate per annum equal to the Maximum Interest Rate; and

(ii) in the event that the amount of interest accrued in respect of any Advance is, as a result of the above limitations, less than the amount of interest which would have otherwise accrued at a rate determined solely under clause 2.04(a)(ii)(A) or (B) above in this Section, then the Promissory Note will continue to bear interest at the Maximum Interest Rate until such date (or the Maturity Date, if earlier) as the cumulative amount of interest accrued on the Promissory Note equals the cumulative amount of interest which would otherwise have accrued in accordance clause 2.04(a)(ii)(A) and (B) of this Section ("Interest Recapture"), at which date the rate of interest on the Promissory Note shall revert to the rates otherwise provided for in this Section; and to the extent and for such periods as is necessary for the Bank to obtain Interest Recapture as to Advances previously made and repaid (or until the Maturity Date, if earlier), each subsequent Advance made prior to Interest Recapture in respect of a previous Advance shall itself bear interest at the Maximum Interest Rate until Interest Recapture in respect of such prior Advances shall occur (unless the Maturity Date shall occur prior thereto); and

(iii) in all events, all interest accruing on or becoming payable in respect of the Promissory Note, including not only amounts so denominated herein but also any other payment, consideration, value, benefit or other compensation for the use, forbearance or detention of money, shall never exceed an amount or produce a rate in excess of the maximum amount or rate that may lawfully be contracted for, charged, reserved, received or paid under applicable law in respect of the Promissory Note.

(c) Beginning five (5) days after the date any amount of principal or interest is due under the Promissory Note, any overdue principal of and, to the extent permitted by law, overdue interest on, any Advance shall bear interest, payable on demand, for each day the same is overdue until paid, at a rate per annum equal to the lesser of (i) the sum of 1% per annum plus the otherwise applicable rate for such day, or (ii) the Maximum Interest Rate.

(d) The entire outstanding principal amount of the Promissory Note shall be due and payable on the Maturity Date.

(e) Computation of the commitment fee, which is provided for in Section 2.05 hereof, and of interest on the Promissory Note shall be made on the basis of a year of 365

or 366 days, as the case may be, applied to and payable for the actual number of days elapsed; provided, however, that any calculation so made that would cause the interest paid, payable or accruing on the indebtedness of the Board under this Agreement and the Promissory Note to exceed the Maximum Interest Rate shall be adjusted so to reduce the interest paid, payable and accruing hereunder to such Maximum Interest Rate, as more fully set out in this Agreement.

(f) Notwithstanding anything contained herein to the contrary, the Basic Interest Rate may be changed at any time upon the mutual written agreement of the Board and the Bank. If any such change in the Basic Interest Rate is so agreed to, this Agreement and the Promissory Note shall remain outstanding and continue in full force and effect, without modification other than as to the change in the Basic Interest Rate, and all Advances will continue to be made under the Promissory Note in accordance with this Agreement, modified only to reflect the agreement of the parties with respect to the changed Basic Interest Rate.

Section 2.05. Commitment Fees. The Board shall pay to the Agent, for the account of the Bank, a commitment fee calculated (in the manner set out in Section 2.04(e) above) at the rate of 1/5 of 1% per annum on the Available Bank Loan Commitment for each day during the Revolving Credit Period. Such commitment fee shall accrue from and including the Closing Date to (but excluding) the Term Loan Conversion Date and, subject to Section 2.07 hereof, shall be payable (i) on the first day of each January, April, July, and October during the term hereof and (ii) on the Term Loan Conversion Date. No commitment fee shall be payable or accrue in respect of Advances advanced and outstanding under the Bank Loan Commitment.

Section 2.06. Agent's Fees. The Board shall pay to the Agent a closing fee, payable at Closing, in the amount of \$50,000, and a maintenance fee of \$2,500 each quarter-annual period or portion thereof during the term of this Agreement. Such maintenance fee shall accrue from and including the Closing Date to (but excluding) the Maturity Date and shall be payable (i) quarterly on the first day of each January, April, July, and October during the term hereof, (ii) on the Term Loan Conversion Date, and (iii) on the Maturity Date.

Section 2.07. Termination or Reduction of Commitment. The Board may, upon at least three Business Days' notice to the Agent, terminate entirely at any time or reduce from time to time by an aggregate amount of \$1,000,000 or any integral multiple thereof, the Bank Loan Commitment at the time; provided that the Board may not reduce the Bank Loan Commitment if such proposed reduction would cause the then Available Bank Loan Commitment to be less

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than the amount of Available Bank Loan Commitment required to be maintained by the Board under the second paragraph of Section 4.01 of the Resolution.

Section 2.08. Optional Prepayments. The Board may prepay, without penalty or premium, the principal outstanding under the Promissory Note in whole at any time, or from time to time in part in amounts aggregating \$1,000,000 or any integral multiple thereof, by giving notice to the Agent by 11:00 A.M. (local time in Austin, Texas) on the date on which such prepayment is to be made and by paying the principal amount thereof to be prepaid together with accrued interest thereon to (but not including) the date of prepayment. Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify Bank of the contents thereof, and after such notice has been given by the Agent to Bank such notice shall not thereafter be revocable by the Board.

Section 2.09. General Provisions as to Payment. The following general provisions shall apply to all payments under the Promissory Note:

(a) The Board shall make each payment of principal and interest on the Promissory Note not later than 11:00 A.M. (local time in Austin, Texas), on the day when due, in Federal or other funds immediately available at the office of the Agent in Austin, Texas. The Agent will promptly distribute to Bank such payment received by the Agent for the account of Bank. Upon receipt by the Agent of such funds for payment hereunder, the Board shall for all purposes hereof have paid such amount. Payments of the Agent's fees payable by the Board to the Agent shall be made in like manner.

(b) Whenever any payment of principal of and interest on the Promissory Note shall be due on any day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day. If the date for any payment or prepayment of principal is extended by the preceding sentence, operation of law or otherwise, interest thereon shall be payable for the period of such extension at the rate applicable thereto under other provisions of this Agreement.

Section 2.10. Changes in Rate of Interest. The following provisions shall apply to all changes in the interest rate on the Promissory Note:

(a) Any change in the interest rate on the Promissory Note resulting from a change in the Index Rate shall become effective as of the opening of business on the day on which such change in the Index Rate shall become effective.

(b) The Agent shall promptly notify the Board of the effective date and the amount of each change in the Index Rate and of the new Index Rate as of such date, and the new Basic Interest Rate, Stepped-Up Interest Rate, and Term Interest Rate calculated upon the basis of such new Index Rate; provided that any failure by the Agent to notify the Board of a change in Index Rate, Basic Interest Rate, Stepped-Up Interest Rate, or Term Interest Rate shall not affect or defer the effectiveness of such change in the rate of interest accruing on the Promissory Note.

(c) The Agent shall, at least ten (10) Business Days prior to the date of any scheduled payment of principal, interest or fees in respect of the Promissory Note, give the Board written notice of the amount so to be paid, subject to adjustments to reflect intervening changes in the rate of interest applicable to such Promissory Note or in the amount of the Principal Debt outstanding or of the Available Bank Loan Commitment.

Section 2.11. Security For Promissory Note. The Promissory Note is the special obligation of the Board, payable solely from and secured by the funds pledged therefor pursuant to the Resolution, including specifically Section 2.12 thereof, and this Agreement, as authorized thereby. To provide ratable security for the payment of the principal of and interest on the Project Notes and the Promissory Note, as the same shall become due and payable, the Board has pledged, pursuant to the Resolution, and as to the Promissory Note does hereby grant to Bank a lien on and pledge of, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein and to the provisions of Section 6.03 hereof (allowing issuance of certain debt), all of the following: (i) the proceeds from (a) the sale of Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued pursuant to the Resolution for such purpose, (ii) the amounts held in the Series A Note Payment Fund and the Special System Account, provided, however, amounts in the Series A Note Payment Fund attributable to and derived from Advances under and pursuant to this Agreement are pledged to, and shall be used to pay, the principal of, premium, if any, and interest on the Project Notes, and (iii) the Interest of the University in the Available University Fund (all the items of property referred to in the immediately preceding clauses (i), (ii) and (iii), and all proceeds thereof, being hereinafter collectively referred to as the "Collateral"). Notwithstanding anything contained herein to the contrary, the security interest in and pledge of the Interest of the University in the Available University Fund is subordinate and inferior to the pledge thereof ("Fund Priority Lien") securing the payment of Fund Priority Obligations, and the principal of,

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and premium (if any) and interest on the Project Notes and Promissory Note shall be and the same are hereby equally and ratably secured solely by and payable from an security interest in, lien on, and pledge of the sources hereinabove identified in clauses (i), (ii) and (iii), subject and subordinate only to the Fund Priority Lien. The Promissory Note shall further be entitled to the benefits of Article VI hereof.

Section 2.12. Application of Prior Covenants-Available Revenues. In accordance with the provisions of the 1985 Constitutional Amendment Bond Resolution, the Notes represent obligations which are subordinate to the Fund Priority Obligations. As described in Section 9 of the 1985 Constitutional Amendment Bond Resolution, there heretofore has been established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (hereinafter called the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, based upon the projection of monies to be deposited into the Interest and Sinking Fund from the Available University Fund which demonstrates that the deposits to the Series A Note Payment Fund will not impair the obligation of the Board to pay the principal of and interest on the Fund Priority Obligations as the same mature and come due, the balance of the Interest of the University in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as necessary to pay the interest on and/or the principal of the Promissory Note to the extent not paid from the proceeds of Project Notes, Short Term Obligations, or Fund Priority Obligations, or other obligations of the Board issued pursuant to the Constitutional Amendment. After provision has been made for the payment of the interest and any premium on and/or principal of the Promissory Note, the balance of the Interest of the University in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board as it may lawfully direct.

To the end that money will be available in ample time to pay the principal of and interest on the Promissory Note as such principal and interest respectively come due, the Comptroller of The University of Texas System, or such officer as may hereafter be designated by the Board to perform the duties now vested in such officer shall perform such duties as are described in Section 2.13 of the Resolution.

Section 2.13. Extension or Modification of Agreement. This Agreement may be extended or modified in accordance with the following conditions and provisions:

(a) At any time not less than 60 days prior to December __, 1986, and each December __ thereafter during the term of this Agreement, the Board may, by written notice to the Agent, request that the Term Loan Conversion Date be extended by one more whole year after the then-existing Term Loan Conversion Date. Upon receipt of such notice, the Agent shall promptly send a copy thereof to Bank, noting thereon the date it was received by the Agent. Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. Bank will use its best efforts to notify the Agent of its decision within 30 days of receipt of such request by the Agent (and the Agent shall promptly notify the Board of each such decision of which it is notified), it being understood and agreed that the failure of Bank to notify the Agent of any decision within such 30-day period shall be deemed to be a rejection and that Bank shall incur no liability or responsibility whatsoever by reason of its failure to notify the Agent of the Bank's decision within such 30-day period.

(b) If the Board shall desire to increase the authorized aggregate principal amount of Project Notes that may be outstanding during the term of this Agreement ("Additional Notes") and to provide for such Additional Notes to have the benefit of an irrevocable revolving credit agreement to which one or more national banking associations or state-chartered banks would be party ("New Credit Agreement"), then the Board shall notify the Agent (who shall in turn notify Bank), in writing, of the amount, terms and conditions of such New Credit Agreement and of the Additional Notes.

Section 2.14. Notice of Paying Agent. The Resolution appoints Morgan Guaranty Trust Company of New York as the initial Paying Agent. The Board will give notice to the Agent of the appointment of any substitute Paying Agent, which notice shall specify the name and address of the Paying Agent.

Section 2.15. Failure of Bank to Advance. The failure of Bank to make any requested Advances under the Promissory Note shall not release Bank from its agreement to make such Advances, nor shall receipt and acceptance by the Board of any Advance or portion thereof from Bank be a release, discharge or waiver of any claim, demand or cause of action of, or for the benefit of, the Board arising out of or in connection with any such failure to advance funds.

Section 2.16. Compliance With Law. Notwithstanding any term or provision of this Agreement or of the Promissory Note, the maximum amount of interest which may be payable by, charged to, or collected from the Board, or any other person either primarily or conditionally liable for the payment of the Promissory Note, shall

be limited to, and shall in no event or under any circumstances exceed, the maximum amount of interest which could be lawfully charged under applicable law (including, to the extent applicable, the provisions of Article 717k-2, Vernon's Texas Civil Statutes, as in effect at the time and the provisions of any applicable amendment thereto or other successor or superseding provision of law) so that, notwithstanding any term or provision of this Agreement or the Promissory Note the aggregate of the interest on any Advance, including all fees and other amounts which constitute interest under applicable state law (and any applicable Federal statutes) shall never exceed the maximum amount of interest which under said laws, could be lawfully charged on or in respect of such Advance. Accordingly, the Board, the Bank and the Agent stipulate and agree that this Agreement and the Promissory Note shall not be construed to create a contract to pay interest for the use, forbearance or detention of money at a rate in excess of the Maximum Interest Rate or maximum amount permitted to be charged under applicable state law (and any applicable Federal statutes), and the Board shall never be liable for interest in excess of the maximum amount or Maximum Interest Rate that could be lawfully charged under such laws.

Specifically and without limiting the generality of the foregoing, it is further agreed among the Board, the Bank and the Agent that the maximum amount of interest contracted for and payable on or under the Promissory Note, now or hereafter shall be calculated in order that strict compliance may be had with the applicable state laws (and any applicable Federal statutes), and such parties agree that:

(a) in the event of voluntary prepayment of any Advance or payment prior to the normal maturity date of the Promissory Note, if the aggregate amount of any interest calculated thereunder or thereon, plus the amounts of any interest accruing after maturity, plus any other amounts which constitute interest on the Promissory Note would, in the aggregate, if charged or paid thereof (if calculated in accordance with provisions other than those set forth in this Section) exceed the maximum amount of interest which, under applicable state laws (and any applicable Federal statutes), may lawfully be charged or paid on or in respect of the Advance involved, then in such event the amount of such excess shall not be charged, payable or due (if not previously paid) or (if any to the extent paid) shall be credited toward the payment of the principal of the Advance involved so as to reduce the amount of the final payment of principal due thereon and if, and to the extent, the entire principal amount has been paid in full, refunded to the Board, and

(b) if under any circumstances the aggregate amounts paid on any Advance prior to or incident to final payment

thereof include any amounts which under applicable state laws (and any applicable Federal statutes) would be deemed interest and which would exceed the maximum amount of interest which, under applicable state laws (and any applicable Federal statutes), could lawfully have been paid and collected on or in respect of such Advance, such payment and collection shall be deemed to have been the result of mathematical error on the part of all parties hereto, and the party receiving such excess payment shall promptly refund the amount of such excess (to the extent only of the excess of such interest payments above the maximum amount which could lawfully have been collected and retained under said state laws and any applicable Federal statutes) upon discovery of such error by the party receiving such payment or notice thereof from the party making such payment.

(c) The provisions of this Section 2.16 shall control over any other provisions of this Agreement, the Promissory Note, any other instrument or writing evidencing, respecting or affecting any Advance, and Bank further agrees that any limitations or restrictions imposed on it, or on payments which it may receive, by reason of this Section 2.16 shall apply and be recognized in all circumstances and to all payments, regardless of the source or payor thereof.

(d) All commitment fees prescribed in Section 2.05 hereof shall constitute exclusively consideration for the Bank's agreement to have available funds in the amount committed by the Bank in respect of Advances and to make such Advances in the future as provided herein and shall not constitute or be treated as compensation for the use of, forbearance, or detention of money actually loaned and advanced hereunder.

(e) All maintenance fees prescribed in Section 2.06 hereof shall constitute exclusively consideration for the Agent's administration and maintenance of this Agreement as provided herein and shall not constitute or be treated as compensation for the use of, forbearance, or detention of money actually loaned and advanced hereunder.

Section 2.17. Events of Taxability.

(a) The interest rate specified in subsection 2.04(a) hereof is based upon the intention and understanding of the parties that the interest paid by the Board on the Promissory Note will be excludable from the gross income of the recipient thereof for Federal income tax purposes under Section 103(a)(1) of the Internal Revenue Code of 1954, as amended (the "Code"). At any time, whether or not any Advances are outstanding, any Holder may, by written notice to an Authorized Representative, request the Board

to supply the unqualified opinion of its Bond Counsel, which counsel shall be reasonably satisfactory to such Holder, addressed to such Holder, to the effect that (except as to matters governed by subsection 2.17(d) hereof) payments of interest on the Promissory Note received by such Holder are excludable from such Holder's gross income for Federal income tax purposes. If (i) the Board does not supply such opinion by the expiration of 30 days after receipt of such request, or (ii) such Holder shall have received written notice from the Commissioner or any District Director of Internal Revenue that interest on the Promissory Note is includable in its gross income, or the Internal Revenue Service shall assert a proposed adjustment or deficiency of such Holder's federal income tax based upon the inclusion therein of interest on the Promissory Note (to the extent held by such Holder), then, in either of such events, the Board shall pay to such Holder (at an account of such Holder at a national bank in Austin, Texas or New York, New York) in Federal or other immediately available funds the amounts determined under the following clauses (A) and (B) ("Additional Payments"), the amounts so to be paid being limited however by the Maximum Interest Rate and Section 2.16 hereof, as such apply:

(A) an amount equal to the excess of:

(1) the amount of interest which would have been payable on each Advance of such Holder if such Advance had borne interest from the date thereof at an interest rate per annum equal to the Stepped-Up Interest Rate, as in effect from time to time, over

(2) the amount of interest actually paid or accrued hereunder on such Advance; plus

(B) an amount equal to the sum of:

(1) the amount of any interest and of any penalties, additions to tax and additional amounts payable under Chapter 68 of the Code or any successor provisions thereto (such as penalties, additions to tax and additional amounts being referred to as "Additions to Tax") which are deductible for federal income tax purposes and which are payable to the United States as a consequence of the failure to include the interest referred to in Clause (A)(2) above in the federal gross income of such Holder; and

(2) an amount which, after giving effect to all taxes attributable to the inclusion of such amount in the gross income of such Holder under the laws of any Federal, state or local governmental or other taxing authority (such taxes to be calculated at the maximum statutory rate applicable to such Holder, after taking into account deductions attribut-

able to imposition of federal, state and local taxes), shall be equal to the amount of any interest or Additions to Tax which are not deductible for federal income tax purposes and which are payable to the United States as a consequence of the failure to include the interest referred to in Clause (A)(2) above in the federal gross income of such Holder;

provided that (X) if the rate or amount of interest determined pursuant to clause (A)(1) above on any Advance exceeds at any time the Maximum Interest Rate or the amount which would have accrued at the Maximum Interest Rate, then the rate and amount of interest applicable under Clause (A)(1) above shall be reduced to the Maximum Interest Rate and to the amount determined at the Maximum Interest Rate and (Y) if the rate or amount of interest under Clause (A)(1) is reduced pursuant to clause (X) above and the rate and amount of interest at any time thereafter, if determined solely under Clause (A)(1) above, would be less than the Maximum Interest Rate and the amount accruing at such rate, then the rate of interest applicable under Clause (A)(1) above shall be the Maximum Interest Rate for such time or until such date (or the Maturity Date, if earlier) as the cumulative amount of interest so accrued for purposes of Clause (A)(1) on such Advance evidenced by the Promissory Note equals the cumulative amount of interest which would otherwise have accrued in accordance with Clause (A)(1) at which date the rate of interest for purposes of Clause (A)(1) shall revert to the rates otherwise provided for in this Section; and provided further that at no time shall the aggregate amount by which the amount of interest determined has been increased pursuant to this clause (Y) exceed the aggregate amount by which the amount of interest determined has theretofore been reduced pursuant to clause (X) hereof.

(b) Additional Payments to be made pursuant to this Section 2.17 in respect of periods prior to and including the interest payment date immediately preceding the date of a written demand therefor shall be paid by the Board promptly on demand by any Holder, which demand or series of demands, as the case may be, may be made at any time subsequent to the end of the 30-day period referred to in clause (i) of the first paragraph of subsection 2.17(a), if the required opinion is not rendered, or subsequent to the receipt of any notice referred to in clauses (ii) and (iii) of such paragraph. Payments to be made in respect of periods subsequent to such interest payment date shall be payable on each date thereafter on which interest on the Promissory Note is due and payable.

(c) If any such Additional Payments are made by the Board pursuant to a demand asserting that interest on the Promissory Note is not exempt from federal income tax of such Holder, but it is later determined by a final and non-appealable administrative or judicial decision that such interest is in fact exempt

from such taxation, each Holder shall promptly refund to the Board all such Additional Payments made by the Board to such Holder and all interest repaid to such Holder by the Internal Revenue Service as soon as the issue of the includability of payments of interest on the Promissory Note is so finally determined, and such Holder shall also pay to the Board interest at the interbank federal funds rate charged from time to time by Bank on the amounts if any paid by the Board pursuant to Clauses (A) and (B) of subsection 2.17(a) (net of any amounts paid by Bank to the Internal Revenue Service), as limited by any applicable Maximum Interest Rate. This Section will not be construed to require such Holder to initiate at its own expense a claim or proceeding to obtain a refund of taxes paid, but the Holder and the Board shall cooperate with each other in any claim or proceeding to determine tax liability or to recover taxes paid in error in respect of interest on the Promissory Note and the reasonable cost and expenses incident to such determination, claim or proceeding shall be solely payable by the Board, and in the event the Board provides to the Holder an opinion of Bond Counsel that reasonable grounds exist to contest a determination of taxability or a notice of inclusion of interest income in gross income, or adjustment or deficiency based thereon, the Holder will, if in good faith it concurs in such opinion, contest or pursue administrative redetermination thereof, at the expense and with the approval of the Board as above provided.

(d) In the event that, as a result of a change in the Code after the date of this Agreement, (i) all or any part of any payment of interest on the Promissory Note, any interest paid or accrued by any Holder (by reason of such Holder holding the Promissory Note or receiving interest on the Promissory Note), or any other amount in respect of or related to holding the Promissory Note or receiving interest on the Promissory Note, as a whole or in part, becomes an item of tax preference or similar item subject to the tax imposed by Sections 56-58 of the Code or any successor sections thereto or any other Federal tax on preference or similar items or is not deductible by such Holder from its "Gross Income" for federal income tax purposes in the year paid or accrued to the same extent as such amount is deductible pursuant to the Code as in effect on the date hereof, (ii) tax is imposed measured by reference to the principal amount of the Promissory Note, or (iii) the after-tax economic yield on interest payments received by any Holder with respect to the Promissory Note is reduced (taxes described in clauses (i), (ii) and (iii) being referred to in this Agreement as a preference tax), then such Holder may at any time on or after the date (the "Effective Date") on which such change in the Code was enacted give notice thereof to the Board, with a copy to the Agent (which shall in turn promptly notify Bank thereof). During the 30 days next succeeding the giving of such notice, Bank and the Board shall negotiate in good faith in order to arrive at such a mutually acceptable increase (expressed as a percentage of the Index Rate) in the rate of interest payable on

all Advances as will adequately and fairly compensate all Holders for the increased cost of making, funding or maintaining such Advances or the reduction in the amount of any sum deductible or received or receivable by any Holder. If within such 30-day period the Board and the Bank agree in writing upon an increase, additional interest at such rate of increase shall be effective and accrue from the Effective Date with respect to all Advances whether made before or after the Effective Date. If the Board and the Bank fail to agree upon an increase in the rate of interest within such 30-day period (the last day of such 30-day period being herein referred to as the "Determined Date"), the increase in the rate of interest payable on the Promissory Note (effective as provided below) based upon the Basic Interest Rate shall be 110% of the Index Rate; provided that the provisions of paragraphs 2.04(a)(i) and (ii) shall apply with respect to limitations of interest and Interest Recapture for purposes of this subsection 2.17(d) (references therein to Clauses 2.04(a)(i) and (ii) however, being used in this subsection 2.17(d) as references to the rate so established under this subsection 2.17(d)). The determination of such increase shall be made in good faith by Bank, and the Board shall have no right to examine the Federal income tax returns or any other returns, documents or records of any Holder with respect thereto. Additional interest at such rate of increase shall be effective from the Effective Date with respect to the Promissory Note whether made before or after the Effective Date. Bank shall notify the Board as promptly as practicable after the Determined Date of the amount of such increase, which notice shall include such explanation of the basis of Bank's determination as in its discretion is appropriate. Any additional interest payable pursuant to this subsection with respect to the Promissory Note shall be paid by the Board to the Agent for the account of Bank.

(e) The obligations of the Board under subsections (a), (b), and (c) of this Section shall survive the term of this Agreement, provided that Bank or the Holder agrees, as a condition of such survival of obligations, that it shall timely file all returns and reports in respect of taxes affected by such provisions.

ARTICLE III

CONDITIONS

Section 3.01. Conditions to Closing. The Revolving Credit Period shall commence on the date (the "Closing Date") on which the conditions set out in subsections 3.01(a) and (b) shall have been satisfied.

(a) The Agent shall have received all of the following, with a copy for Bank:

(i) counterparts of this Agreement duly executed by the Board, the Agent, and Bank;

(ii) a duly executed Promissory Note, dated the Closing Date, complying with the provisions of Section 2.03 and substantially in the form set out in Exhibit "A" hereto;

(iii) copies of the Resolution, including supplemental resolutions thereto which have been adopted as of such time, all certified by the Secretary or an Assistant Secretary of the Board as being in full force and effect;

(iv) a certificate of the Secretary or an Assistant Secretary of the Board certifying the names and signatures of each Authorized Representative;

(v) an opinion of the general counsel for the Board, dated the Closing Date, substantially in the form of Exhibit "C" hereto, with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof;

(vi) an opinion of Bond Counsel, dated the Closing Date, substantially in the form of Exhibit "D" hereto, with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof;

(vii) a favorable opinion of Messrs. Winstead, McGuire, Sechrest & Minick, P.C., Dallas, Texas counsel to Bank and Agent, substantially in the form of Exhibit "E" hereto, with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof, to the effect that, while they have not independently considered the matters covered by the opinions furnished pursuant to the preceding provisions in this subsection 3.01(a) to the extent necessary to enable them to express the conclusions stated therein, (1) such opinions, this Agreement and other documents furnished pursuant to the preceding provisions of this subsection 3.01(a) appear to be in substantially acceptable legal form and (2) such opinions and such other documents appear substantially responsive to the requirements of this Agreement;

(viii) a certificate, dated the Closing Date, of an Authorized Representative to the effect that (i) each of the representations and warranties of the Board contained in Article IV of this Agreement is true and correct on and as of the date of such certificate as though made on and as of such date and (ii) on such date no Default has occurred and is continuing;

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(ix) a certificate of the Agent acknowledging payment of the Agent's fees then payable, as agreed to by the Board and the Agent; and

(x) a no-arbitrage certificate from the Board dated the Closing Date.

(b) In addition, the Board shall have received all of the following with a copy for Paying Agent:

(i) Counterparts of this Agreement, duly executed by the Board, the Agent and Bank;

(ii) A certificate, dated the Closing Date, of an officer of Bank, authorized to execute and deliver such certificate, to the effect that each of the representations and warranties of Bank contained in this Agreement are true and correct on and as of the date of such certificate as though made on and as of such date; and

(iii) An opinion of Winstead, McGuire, Sechrest & Minick, P.C., special counsel to the Bank and Agent, dated the Closing Date and substantially in the form of Exhibit "F", with such changes, modifications, deletions or additions as may be acceptable to such counsel and counsel for the recipients thereof.

Section 3.02. Conditions to Advances. The obligation of Bank to make any Advance, when so requested hereunder upon or after the Closing Date and during the Revolving Credit Period, is subject to receipt by the Agent of a Notice of Advance as required by Section 2.02 and to the satisfaction of the following further conditions:

(a) At the time the Advance is made, the Board shall not have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, shall not have made a general assignment for the benefit of its creditors, shall not have declared a moratorium with respect to its debts, shall not have failed generally to pay its debts as they become due, and shall not have taken any action to authorize any of the foregoing; and

(b) At the time the Advance is made, no involuntary case or other proceeding shall have been commenced against the Board seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insol-

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vency or other similar law now or hereafter in effect and no trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property shall have been appointed.

In addition, Bank shall have no obligation to make an Advance to the Board to pay the principal of or any interest on any Project Notes which were issued by the Board after receipt by the Paying Agent, the Dealer, and an Authorized Representative of a Notice of Default. The events or occurrences set out in clauses (a) and (b) above are referred to herein and in the Project Notes as "Events of Bankruptcy."

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BOARD

Section 4.01. Organization and Powers. The Board (a) is duly established and validly existing under the laws of the State of Texas under and pursuant to the Constitution of the State of Texas and is an agency and political subdivision of the State of Texas, (b) has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, (c) has full power and authority to operate the System and to acquire, construct, finance and operate the Eligible Projects, and (d) has full power and authority to execute, deliver and perform this Agreement, to borrow hereunder and to execute, deliver and perform the Promissory Note.

Section 4.02. Authorization; Contravention. The execution, delivery and performance by the Board of this Agreement and the Promissory Note and the making of the Advances under the Promissory Note have been duly authorized by all necessary action by the Board and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, the Acts, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the Board is a party or by which it or any of its property is bound.

Section 4.03. Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the Board of the Resolution, this Agreement and the Promissory Note.

Section 4.04. Binding Effect. This Agreement constitutes a valid and binding agreement of the Board and the Promissory Note when duly executed on behalf of the Board and delivered in accor-

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dance with this Agreement and the Resolution, will constitute valid and binding obligations of the Board.

Section 4.05. Restrictions on Use of Proceeds. The proceeds of the Advances will be applied by the Board only to the refunding of the Project Notes. No part of the proceeds of Advances or any other loan or any series of bonds or notes or any other funds of the Board shall at any time be used by the Board in a manner that would cause the Promissory Note or the Project Notes to be treated as "arbitrage bonds" within the meaning of Section 103(c) (or any successor section thereto) of the Code. None of the funds borrowed by virtue of this Agreement will be used in any manner or for any purpose except in the manner and for the purposes authorized by Texas law and the Resolution adopted by the Board.

Section 4.06. Tax Exempt Status. The Board has not taken any action that would cause interest on the Promissory Note to be subject to Federal income taxation, or to taxation by the State of Texas or any political subdivision thereof.

Section 4.07. Federal Reserve Regulations. No part of the proceeds of any Advance will be used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System, as amended from time to time) or to extend credit to others for the purpose of purchasing or carrying any margin stock or for any other purpose which would violate any of the regulations of said Board of Governors.

Section 4.08. Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Board, threatened against or affecting the Board, the System or relating to the Acts, or this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the Board to perform its obligations under this Agreement and the Promissory Note, or which in any manner questions the validity of this Agreement or the Promissory Note, except any action, suit or proceeding which may be brought subsequent to the date hereof as to which Bank has received an opinion of counsel satisfactory to Bank, in form and substance satisfactory to Bank and its counsel, to the effect that such action, suit or proceeding is without substantial merit.

Section 4.09. No Event of Default Under the Resolutions. No "Event of Default" specified in the Resolution and no event which, with the giving of notice or lapse of time or both would become such an event of default, has occurred and is continuing.

ARTICLE V
REPRESENTATIONS AND WARRANTIES
OF THE BANK

Bank represents and warrants:

Section 5.01. Organization and Powers. Bank (a) is duly established and validly existing under the laws of the United States of America as a national banking association, being duly chartered thereunder; and (b) has full power and authority to execute, deliver and perform this Agreement and to make Advances in accordance with its Bank Loan Commitment and this Agreement.

Section 5.02. Authorization; Contravention. The execution, delivery and performance by Bank of this Agreement and its Advances to be made hereunder have been duly authorized by all necessary action by Bank and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, its charter, or any order, rule or regulation of any court, governmental agency or instrumentality or any material agreement, resolution or instrument to which Bank is a party or by which it or any of its property is bound.

Section 5.03. Governmental Consent or Approval. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by Bank of this Agreement.

Section 5.04. Bank Obligations Valid. Bank represents that this Agreement is a valid and binding agreement of it, assuming that this Agreement is a valid and binding agreement of the Board.

Section 5.05. Litigation. There is no action, suit or proceeding pending or, to the knowledge of the Bank, threatened against or affecting the Bank, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the Bank to perform its obligations under this Agreement, or which in any manner questions the validity of this Agreement or the Promissory Note.

ARTICLE VI

COVENANTS

The Board agrees that during the term of this Agreement and while any amount payable under the Promissory Note remains unpaid:

Section 6.01. Information. The Board will deliver to the Agent, with a copy to Bank:

(a) as soon as reasonably available after the end of each Fiscal Year, and in any event within 120 days after the end of such Fiscal Year, a copy of the annual report of the Fund including a balance sheet of the Fund as of the end of such fiscal year and related statements of income and sources and uses of funds prepared in accordance with Section 61.065 of the Texas Education Code accompanied by a certificate of an Authorized Representative (i) to the effect that as of the date of such certificate no Default has occurred, (ii) or if such Default has occurred, specifying the nature of such Default, the period of its existence and the action which the Board is taking or proposes to take with respect thereto; and

(b) as soon as available and in any event within 60 days after the end of each fiscal quarter, a copy of the most recent quarterly unaudited financial statements of the Fund;

(c) as soon as practicable but in any event within ten (10) Business Days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the Board makes available in connection with the offering for sale of any securities of which it is the issuer, and, on request, copies of such other financial reports as the Board shall customarily and regularly provide to the public;

(d) forthwith upon the occurrence of any Default, a certificate of an Authorized Representative setting forth the details thereof and the action which the Board is taking or proposes to take with respect thereto;

(e) concurrently with the delivery of the reports set out in subsection (b) above, a report showing the aggregate amount of Project Notes issued at the end of the preceding quarter; and

(f) upon written request by the Agent, at the request of Bank, any other financial information reasonably requested.

Section 6.02. Access to Records. The Board will furnish to the Agent such information regarding the financial condition, results of operations or business of the Board and the Fund as Bank may reasonably request and will permit any officers, employees or agents of the Agent or Bank to visit and inspect any of the properties of the Board and to discuss matters reasonably pertinent to an evaluation of the credit of the Fund, all at such reasonable times as Bank may reasonably request. Further, the

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Agent, at its request, will be kept informed of regular and special meetings of the Board, and a representative of the Agent or Bank may attend any such meeting subject to provisions of Texas law authorizing executive sessions of the Board. All information received by or provided to Bank or the Agent pursuant to this Agreement, unless otherwise made public by the Board, will be held as confidential information by Bank and the Agent.

Section 6.03. Proceeds of Project Notes; Limitation on Certain Debt.

(a) The proceeds of the Project Notes will be used by the Board solely for the purpose of paying or prepaying, as the case may be, in whole or in part, other Project Notes, the Promissory Note or Project Costs of Eligible Projects or, to the extent not so used, for temporary investment while in the Series A Note Payment Fund or Special System Account.

(b) The Board shall, however, have the right to issue Fund Priority Obligations or Short Term Obligations pursuant to Section 6.10 of the Resolution.

Section 6.04. No Amendment of Certain Contracts or Resolutions. The Board will not consent to any amendment to or modification or waiver of any of the provisions of the Resolution which would be materially adverse to Bank's interests. The Board will give the Bank notice as promptly as practicable of any proposed amendments to, modifications or waiver of any provisions of the Agreement or the Resolution and of any meeting of the Board at which any of the foregoing will be discussed or considered.

Section 6.05. Sales of Fund Priority Obligations or Short Term Obligations. The Board shall use its best efforts and reasonable diligence to offer and sell Fund Priority Obligations or Short Term Obligations or to obtain a New Credit Agreement, in an amount sufficient to pay when due the aggregate outstanding principal amount of the Promissory Note and all other amounts due to the Bank hereunder in respect thereof not previously paid from other funds available to the Board. The Board covenants that Advances outstanding under the Promissory Note at the time shall be retired in full or pro rata if not in full, with proceeds of Fund Priority Obligations or Short Term Obligations sold, issued or created by the Board prior to any other payment or use of the proceeds of such Fund Priority Obligations or Short Term Obligations.

Section 6.06. Other Covenants. The Board shall fully and faithfully perform each of the covenants required of it pursuant to the provisions of the Resolution and the resolutions of the Board authorizing the Fund Priority Obligations.

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Section 6.07. Taxes and Liabilities. The Board will pay all its indebtedness and obligations promptly and in accordance with their terms and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income and profits, or upon any of its property, real, personal or mixed, or upon any part thereof, before the same shall become in default.

Section 6.08. Supplemental Resolutions and Further Assurances. The Board will not adopt any supplemental resolutions, pursuant to the Resolution or otherwise, which would adversely affect the ability of the Board to make payments on the Promissory Note when due; provided that nothing herein shall prevent the Board from issuing additional Short Term Obligations and Fund Priority Obligations as provided in this Agreement and Section 6.10 of the Resolution. The Board will at any and all times, insofar as it may be authorized so to do by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, deeds, conveyances, assignments, recordings, filings, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, revenues and other funds hereby pledged or assigned to the payment of the Promissory Note, or intended so to be, of which the Board may become bound to pledge or assign.

Section 6.09. Additional Borrowings. The Board may issue Fund Priority Obligations or Short Term Obligations in such amounts and on such terms as the Board shall determine, subject only to the covenants contained herein.

Section 6.10. Efforts to Pay. In the event that the Promissory Note is not paid at maturity, the Board shall as quickly as possible take all actions reasonably necessary to allow payment from any available funds.

ARTICLE VII

ADDITIONAL PARITY OBLIGATIONS

Section 7.01. Additional Short Term Obligations. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional Short Term Obligations, in as many separate installments or series as deemed advisable by the Board but only for the purposes and to the extent provided in the Amendment to Section 18, Article VII, of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984, or in any Amendment hereafter made to said Section 18, Article VII, of the Texas Constitution, or for refunding purposes as provided by law. Such additional Short Term

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Obligations, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as are the Notes, and the Notes and the additional Short Term Obligations, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity. It is further covenanted that no installment or series of additional Short Term Obligations shall be issued and delivered unless the Executive Vice Chancellor for Asset Management of The University of Texas System, or some other officer of The University of Texas System designated by the Board executes:

(a) a certificate to the effect that for the fiscal year immediately preceding the date of said certificate the amount of the Interest of The University of Texas System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements of the installment or series of additional Short Term Obligations then proposed to be issued and all then outstanding Fund Priority Obligations, Notes, and Short Term Obligations which will be outstanding after the issuance and delivery of said proposed installment or series.

(b) a certificate to the effect that the total principal amount of (i) Fund Priority Obligations, Notes, and Short Term Obligations, and (ii) all other obligations of the Board which are secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment or series of additional Short Term Obligations then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of additional Short Term Obligations is issued.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) the Board shall fail to pay any principal due under the Promissory Note;

(b) the Board shall fail to pay any interest on the Promissory Note or any maintenance fee or commitment fee within 5 Business Days of the due date thereof;

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(c) any representation, warranty, certification or statement made by the Board in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made, and Agent shall, upon the request of Bank, have given the Board 5 days' written notice thereof;

(d) breach by the Board of any covenant or agreement or condition contained in Section 6.03 through 6.10, inclusive, or a breach by the Board of any other covenant or agreement or condition (other than those referred to or contained in clauses (a), (b), (c) above) contained in this Agreement or the Promissory Note and the continuation thereof for more than 60 days after written notice thereof has been given to the Board by the Agent at the request of Bank without cure or correction to the satisfaction of the Bank;

(e) if default shall be made by the Board in the performance or observance of any covenant, agreement or condition on its part in the Resolution or in the Project Notes contained, and such default shall continue for a period of 60 days after written notice thereof to the Board by the holders of not less than 10% in aggregate principal amount of the Project Notes then outstanding, or if the holder of any Fund Priority Obligations exercises its rights as a result of an event of default under the constituent instruments under which such obligations were issued or incurred to declare the principal thereof (and interest accrued thereon) to be payable prior to the maturity thereof; notwithstanding anything contained herein to the contrary, the parties hereto acknowledge that, as of the date of this Agreement, the Board has not agreed to, and there are not outstanding, any constituent instruments under which Fund Priority Obligations were issued which grant to any holder of any Fund Priority Obligations any rights to declare the principal of such Fund Priority Obligations (or interest accrued thereon) to be payable prior to the stated maturity thereof, and the Board does not presently intend to adopt any resolution granting or creating any such rights; or

(f) the Board shall commence a voluntary case or other proceeding seeking (i) liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a receiver, liquidator, custodian, or other similar official with respect to the Board or any substantial part of its property, or shall consent to or acquiesce in any such relief or the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it; or

(g) a receiver, liquidator, custodian or other official, appointed in an involuntary case or proceeding commenced against the Board, appointed without consent or acquiescence of the Board, takes charge of a substantial part of its properties and such action as to its properties is not promptly stayed, discharged or vacated; or

(h) the Board shall make a general assignment for the benefit of creditors, or declare a moratorium with respect to its debts, or shall fail generally to pay its debts as they become due in accordance with its customary practices, or shall take any corporate action to authorize any of the foregoing; or

(i) an involuntary case or other proceeding shall be commenced against the Board seeking (i) liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect, or (ii) the appointment of a custodian; receiver or trustee or similar official of the System, or any substantial part thereof, and such proceeding or case shall not be dismissed or stayed within 90 days after the filing thereof; or

(j) any material provision of this Agreement shall at any time for any reason cease to be valid and binding on the Board, or shall be declared by any court having jurisdiction over the Board to be null and void or the validity or enforceability thereof shall be contested by the Board and the Agent, upon request of the Bank, has given 5 days' written notice thereof to the Board;

then, and in any such event, the Agent shall, if requested by Bank by notice to the Board, terminate the Bank Loan Commitment, if any (except as provided below), and the Bank Loan Commitment shall thereupon terminate to the extent hereinafter permitted; provided, however, that the Bank Loan Commitment shall not terminate or affect the obligations of Bank to make Advances under this Agreement upon the conditions set out in Section 3.02, to be evidenced by and noted on the Promissory Note in the aggregate amount equal to the Available Bank Loan Commitment in accordance with the terms of Article II hereof, to the extent but only to the extent necessary for the Board to make required payments of principal and interest on Project Notes that were issued and sold prior to the time a Notice of Default was received by the Paying Agent. Upon termination of Bank Loan Commitment under the preceding provisions of this Section 8.01, and to the extent permitted thereby, the Available Bank Loan Commitment shall thereupon terminate.

Failure to take action in regard to one or more Events of Default shall not constitute a waiver of the right to take action in regard to subsequent Events of Default.

Section 8.02. Suits at Law or in Equity and Mandamus. In case one or more Events of Default shall occur, then and in every such case the Holder of the Promissory Note shall be entitled to proceed to protect and enforce such Holder's rights by such appropriate judicial proceeding as such Holder shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Agreement, or in aid of the exercise of any power granted in this Agreement, or to enforce any other legal or equitable right vested in the Holders by this Agreement or the Promissory Note or by law. The provisions of this Agreement shall be a contract with each and every Holder and the duties of the Board shall be enforceable by any Holder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

Section 8.03. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by any Holder.

ARTICLE IX

THE AGENT

Section 9.01. Appointment and Authorization. Bank irrevocably appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under this Agreement and the Promissory Note as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

Section 9.02. Agent and Affiliates. The Agent may accept deposits from, lend money to, and generally engage in any kind of business with the Board as if it were not the Agent hereunder. Bank and the Agent expressly consent to Morgan Guaranty Trust Company of New York acting as Paying Agent.

Section 9.03. Action by Agent. The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Section 2.14 or Article VIII.

Section 9.04. Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Board), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

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Section 9.05. Liability of Agent. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the specific consent or at the request of Bank or (ii) in the absence of its own gross negligence or willful misconduct. Neither the Agent nor any of its directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made by the Board in connection with this Agreement or the Promissory Note; (ii) the performance or observance of any of the covenants or agreements of the Board; (iii) the satisfaction of any condition specified in Article III, except receipt of items required to be delivered to the Agent; or (iv) the validity, effectiveness or genuineness of this Agreement, the Promissory Note or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

Section 9.06. Indemnification. Bank shall indemnify the Agent (to the extent not reimbursed by the Board) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection with this Agreement or any action taken or omitted by the Agent hereunder.

Section 9.07. Credit Decision. Bank acknowledges that it has, independently and without reliance upon the Agent, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Bank also acknowledges that it will, independently and without reliance upon the Agent, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

ARTICLE X

MISCELLANEOUS

Section 10.01. Notices; Agent and Accounts.

(a) Except as otherwise provided herein, all notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) and shall be given to such party at its address or telex number set forth on the signature pages hereof or such other address or telex number as such party may hereafter specify for the purpose of giving notice. Each such notice, request or other communication

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shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid, or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article II hereof shall not be effective until received.

(b) In the case of a Notice of Advance, notice may be transmitted to the Agent by telecopier at 512-____-____, Attention: Mr. John Roan, and confirmed by written notice, the delivery of which shall not, however, affect the validity of such telecopied notice which shall be effective when received.

Section 10.02. No Waivers. No failure or delay by the Agent or any Bank in exercising any right, power or privilege hereunder or under the Promissory Note or otherwise 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.

Section 10.03. Costs, Expenses and Taxes. The Board shall pay (i) all reasonable out-of-pocket expenses of the Agent (including fees and disbursements of special counsel to the Bank and the Agent) in connection with the preparation of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default by the Board hereunder, and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent or Bank, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. In addition, the Board shall pay any and all stamp taxes and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement and the Promissory Note.

Section 10.04. Amendments or Modifications. Any provision of this Agreement or the Promissory Note may be amended or modified if, but only if, such amendment or modification is in writing and is signed by the Board, Bank and Agent.

Section 10.05. Severability. 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 hereof.

Section 10.06. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

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Section 10.07. Counterparts. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when the Agent shall have received counterparts hereof signed by all of the parties hereto. Complete sets of counterparts shall be lodged with the Board and the Agent.

Section 10.08. Texas Law; Venue. 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. The venue for any legal action to enforce or interpret this Agreement shall be in Travis County, Texas.

Section 10.09. Successors and Assigns; Participations. This Agreement may not be assigned by Bank, other than by operation of law to a successor or merged institution, unless with the consent of the Board, provided that this shall not restrict Bank in the sale of participations. The Board recognizes that Bank contemplates entering into participation agreements with certain other participants whereby the several participants will participate with Bank in the Promissory Note and in a portion of each Advance made by Bank under the Promissory Note. Accordingly, the Board confirms that all of its representations, warranties, covenants, certifications and obligations under this Agreement and the Promissory Note, as well as all rights under the lien and pledge securing the payment of the Promissory Note and granted to Bank pursuant to the Resolution and Section 2.11 of this Agreement, are for the benefit of the participants as well as for the benefit of Bank.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

Address:

201 West Seventh Street
Austin, Texas 78701

Telex No. _____

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____

Its: _____

Address:

1704 Main Street
10th Floor Bank Building
Dallas, Texas 75201

Telex No. _____

MBANK DALLAS, NATIONAL ASSOCIATION

By: _____

Its: _____

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Address:

MBank Tower
2nd Floor
6th and Colorado
Austin, Texas 78701

MBANK AUSTIN, NATIONAL ASSOCIATION

By: _____

Its: _____

Telex No. _____

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EXHIBIT "A"

PROMISSORY NOTE

Board of Regents of the University of Texas
System Revolving Credit Agreement Revolving Note

\$109,000,000

Austin, Texas

December __, 1985

For value received, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM ("Board"), an agency and political subdivision of the State of Texas, organized and existing under and by virtue of the laws of the State of Texas, promises to pay, solely from the special funds hereafter referred to, to the order of MBANK DALLAS, NATIONAL ASSOCIATION (the "Bank"), at the office of MBank Austin, National Association, Austin, Texas, as Agent, the aggregate unpaid principal amount of all Advances hereunder, not to exceed One Hundred Nine Million and No/100 Dollars (\$109,000,000) in principal amount at any one time outstanding, made by the Bank to the Board hereunder, in lawful money of the United States of America, in Federal or other immediately available funds, and to pay, solely from the special funds hereinafter referred to, interest at the rate set forth in the Credit Agreement (hereinafter referred to) on the actual unpaid principal amount hereof for each day outstanding from the date hereof until this Promissory Note is paid in full, in like money and funds at such office, quarterly on each the first day of each January, April, July, and October prior to the maturity hereof, commencing on the first such date after the date hereof, at such rates as are specified in such Credit Agreement. The principal amount of all Advances outstanding on the Term Loan Conversion Date, as defined in the Credit Agreement ("Principal Debt"), shall be and become due and payable in twenty-eight (28) successive quarterly installments, each to be in an amount equal to one-twenty-eighth (1/28th) of the Principal Debt, such installments commencing on the first day of January immediately following the Term Loan Conversion Date, and continuing thereafter on the first day of each April, July, October and January thereafter, through and including the Maturity Date (as defined in the Credit Agreement).

This Promissory Note is subject to prepayment, and amounts prepaid prior to the Term Loan Conversion Date may be reborrowed, all pursuant to the terms and under the conditions of the Credit Agreement (the "Credit Agreement"), dated as of December __, 1985, among the Board, the Bank and MBank Austin, National Association, Austin, Texas, as Agent, the terms of which are hereby incorporated by reference into this Promissory Note. All terms used herein and

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not defined shall have the same meaning as in the Credit Agreement. Reference is made to the Credit Agreement for provisions as to the prepayment hereof and for reborrowing. Reference is also made to the Credit Agreement for provisions providing for additional interest and other amounts to be payable under certain circumstances. If the holder enforces this Promissory Note upon default, the Board shall reimburse the holder for reasonable costs and expenses incurred by the holder in collection, including attorney's fees and expenses as set out in Section 9.03 of the Credit Agreement. This Promissory Note shall be construed under and governed by laws of the State of Texas but Chapter 15, Texas Credit Code (Art. 5069-15.01, V.A.T.C.S.) shall not apply.

This Promissory Note, including the interest hereon, is payable solely from and secured by a lien upon and pledge of certain revenues and certain other available funds and moneys of the Board, all as set forth in the Credit Agreement and the Resolution; and this Promissory Note does not constitute a general obligation or indebtedness of the Board within the meaning of any constitutional, charter or statutory limitations or provisions (and the holder hereof shall never have the right to require or compel the levy of ad valorem taxes for the payment of the principal of and interest on this Promissory Note). Reference is made to the Credit Agreement and such resolution for the provisions relating to the security of this Promissory Note and the duties and obligations of the Board.

Made and executed at Austin, Texas, on the day and year first above written.

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Its: _____

Attest:

By: _____
Secretary

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EXHIBIT "B"

Notice of Advance

TO: MBank Austin, National Association
as Agent under Credit Agreement,
dated December __, 1985 ("Agreement")
between the Agent, the Board, and
MBank Dallas, National Association

FROM: Board of Regents of the University
of Texas System ("Board")

The Board, acting herein by the undersigned Authorized Representative, pursuant to Section 2.02 and related provisions of the Agreement, issues this notice for an Advance to be made under the Agreement as follows:

1. Date and Time Advance is to be made: _____;
2. Principal Amount of Advance: _____;
3. Maturity Date and Face Amounts of Project Notes to be refunded: _____;
4. Amount of interest on Project Notes to be refunded: _____;
5. The Advance shall be available for the account of holders of the Project Notes at Morgan Guaranty Trust Company of New York, the Paying Agent, New York, New York.

In connection with this Notice of Advance, the Board certifies to the Agent and Bank that at the issuance of this Notice of Advance the Events of Bankruptcy specified in Section 3.02 of the Agreement have not occurred. Capitalized terms herein are used with the meaning given in the Agreement.

Date of this Notice
of Advance: _____

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____
Authorized Representative

EXHIBIT "C"

[Letterhead of James E. Crowson,
Vice Chancellor and General Counsel]

December __, 1985

MBank Dallas, National Association
("Bank")
Dallas, Texas

MBank Austin, National Association
("Agent")
Austin, Texas

Re: \$109,000,000 Credit Agreement (the "Agreement"), between The Board of Regents of the University of Texas System (the "Board"), the Bank and the Agent, dated December __, 1985 ("Agreement")

Gentlemen:

I am general counsel to the Board, and I have acted in such capacity in connection with the above Agreement among the Bank, the Agent, and the Board, which is the Credit Agreement provided for in the Resolution adopted by the Board on December __, 1985 (the "Resolution"), and the issuance of a promissory note of the Board ("Promissory Note") under the Agreement and Resolution in an aggregate principal amount of up to \$109,000,000. This opinion is provided to the Agent and the Bank pursuant to Section 3.01(a)(v) of the Agreement. Terms defined in the Agreement and not otherwise defined herein shall have the meaning described to them in the Agreement.

In connection with my opinion, I have examined the following:

1. A certified copy of the Resolution, which Resolution authorizes, among other things, the following:
 - a. execution and delivery of the Agreement and the issuance of the Promissory Note thereunder;
 - b. execution and delivery of the Dealer Agreement, as defined in the Resolution;

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- c. execution and delivery of the Issuing and Paying Agent Agreement; and
- d. execution and delivery of the Notes;
2. An executed counterpart of the Agreement;
3. An executed counterpart of the Dealer Agreement;
4. An executed counterpart of the Issuing and Paying Agent Agreement;
5. An executed copy of the Promissory Note;
6. Article 717q, Vernon's Annotated Texas Civil Statutes, as amended, and Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code) (collectively, the "Acts"), and such other provisions of the Constitution and laws of the State of Texas and the United States of America as I believe necessary to enable me to render the opinions herein contained; and
7. Such other agreements, documents, certificates (including a No-Arbitrage Certificate), opinions, letters, and other papers, including all documents delivered or distributed at the closing of the Agreement, as I have deemed necessary or appropriate in rendering the opinions set forth below.

In my examination, I have assumed the authenticity of all documents and agreements submitted to me as originals, conformity to the originals of all documents and agreements submitted to me as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such certificates. I have also assumed that the Agreement constitutes a valid and binding agreement of said Bank, enforceable in accordance with its terms.

Based upon the foregoing, and subject to the qualifications described below, I am of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Board is a duly organized and validly existing agency and political subdivision of the State of Texas with full power and authority to own and operate its System as currently operated and to issue the Notes to pay the costs in connection with the System, and to enter into and perform under the Agreement and to issue the Project Notes and the

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Promissory Note in connection therewith. The Board has, at the date of the Closing and at the time of execution did have, full legal right, power and authority (a) to enter into the Agreement, the Dealer Agreement, and the Issuing and Paying Agent Agreement; (b) to adopt the Resolution; (c) to sell, issue and deliver the Project Notes; (d) to execute and deliver the Promissory Note; and (e) to carry out and consummate the transactions contemplated by the Resolution, the Agreement, the Dealer Agreement, and the Issuing and Paying Agent Agreement; and the Board has complied, at the date of the Closing in all material respects, with Texas Law, including the terms of the Acts, and with the obligations on its part contained in the Resolution, the Project Notes, the Agreement, the Promissory Note, the Dealer Agreement and the Issuing and Paying Agent Agreement.

2. By official action of the Board, the Board has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the Board of the obligations on its part contained in the Notes, the Resolution, the Agreement, and the consummation by it of all other transactions contemplated by such instruments and has all necessary power and authority to conduct its business as presently conducted and to perform its obligations under the Agreement and the Notes.

3. Each of the Resolutions, the Agreement, and the Notes has been executed and delivered by duly authorized officers of the Board. The Resolution and (to the extent of the amounts advanced or paid to the Board thereunder) the Notes each constitute valid and binding obligations of the Board enforceable against the Board in accordance with their respective terms (limited in the case of the Notes to the amounts advanced thereunder or otherwise payable in accordance with the terms thereof), except as limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies.

4. No authorization, consent or approval of any governmental authority, agency or bureau not already obtained is required in connection with the valid execution and delivery of the Resolution, the Notes, the Agreement, the Dealer Agreement, and the Issuing and Paying Agent Agreement by the Board or in connection with the performance by the Board of its obligations under such documents.

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5. The Board is not in breach of or in default under any applicable constitutional provision, law or administrative regulation, or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board is a party or to which the Board, or any of its property or assets of the Board is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default by the Board under any such instrument; the execution and delivery by the Board of the Notes, the Agreement, the Dealer Agreement and the Issuing and Paying Agent Agreement and the adoption of the Resolution, and compliance by the Board with the provisions of the Resolution, the Notes, the Agreement, the Dealer Agreement and the Issuing and Paying Agent Agreement, do not and will not conflict with or constitute, a breach of or default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Board is a party or to which the Board or any of its properties or assets is otherwise subject.

6. There is no action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending, or to the best of my knowledge, threatened or could be reasonably asserted against the Board or any of its assets in any court, governmental agency, public board or body or before any arbitrator or before or by any governmental body, (i) affecting the corporate existence of the Board or the titles of the officers of the Board to their respective offices, or (ii) affecting or seeking to prohibit, restrain, or enjoin the sale, issuance or delivery of the Notes, or (iii) in any way contesting or affecting the validity or enforceability of the Notes, the Resolution, the Agreement, the Dealer Agreement or the Issuing and Paying Agent Agreement, or (iv) contesting the tax-exempt status of the interest on the Project Notes or the Promissory Note, as described in the Resolution, or (v) contesting any authority or proceedings for the issuance, sale or delivery of the Notes, the adoption of the Resolution or the execution and delivery of the Agreement, the Dealer Agreement, the Issuing and Paying Agent Agreement, or the performance of the Board's obligations thereunder, or (vi) contesting the powers of the Board or questioning or affecting the ability of the Board to operate and maintain the Fund, or (vii) which involves the possibility of any ruling, order, judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or the condition, financial or otherwise, of the Fund, wherein an unfavorable deci-

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sion, ruling or finding would materially adversely affect the validity or enforceability of the Notes, the Resolution, the Agreement, the Dealer Agreement, or the Issuing and Paying Agent Agreement; the current routine litigation of the Board relating to the Fund does not entail any potential recovery or liability for a material amount which is not otherwise covered by the Board's insurance policies.

7. The Resolution and the Agreement duly and effectively grant a lien on and pledge of, as security for the Promissory Note, ratably with the Project Notes issued for such purpose, (i) the proceeds from (a) the sale of Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued pursuant to the Resolution for such purposes, and (ii) the amounts from time to time on deposit in the Series A Note Payment Fund and the Special System Account provided that amounts on deposit in the Series A Note Payment Fund derived from and attributable to Advances under the Agreement are pledged to, and shall be used to pay, amounts payable in respect of the Project Notes, and (iii) the Interest of the University in the Available University Fund, said pledge of the Interest of the University in the Available University Fund being subordinate to the pledge thereof for payment of Fund Priority Obligations, and except as so provided the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board and without any filing or recording with regard therein except in the records of the Board.

8. [Bank's rights of mandamus]

Yours very truly,

General Counsel

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EXHIBIT "D"

[Letterhead of Bond Counsel]

December __, 1985

MBank Dallas, National Association
("Bank")
Dallas, Texas

MBank Austin, National Association
("Agent")
Austin, Texas

Re: \$109,000,000 Credit Agreement among Board of Regents of
the University of Texas System (the "Board"), Bank and
the Agent, Dated December __, 1985 ("Agreement")

Gentlemen:

We have acted as counsel to the Board in connection with the above Agreement among Bank, the Agent, and the Board, which is the Credit Agreement provided for in Section 2.16 of the Resolution of the Board, dated December 5, 1985 (the "Resolution"), and the issuance of a promissory note of the Board ("Promissory Note") under the Agreement and Resolution in an aggregate principal amount of up to \$109,000,000. This opinion is provided to the Agent and Bank pursuant to Section 3.01(a)(vi) of the Agreement. Terms defined in the Agreement and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

In connection with our opinion, we have examined the following:

- (1) Certified copies of the Resolution which authorizes, among other things, the following:
 - (a) execution and delivery of the Agreement and the issuance of the Promissory Note thereunder;
 - (b) execution and delivery of the Dealer Agreement, as defined in the Resolution;
 - (c) execution and delivery of the Issuing and Paying Agent Agreement; and

- (d) execution and delivery of the Project Notes;
- (2) an executed counterpart of the Agreement;
- (3) an executed counterpart of the Dealer Agreement;
- (4) an executed counterpart of the Issuing and Paying Agent Agreement;
- (5) executed copy of the Promissory Note;
- (6) Article 717q, Vernon's Annotated Texas Civil Statutes, as amended, Chapter 919, Acts of the 69th Legislature, Regular Session, 1985 (codified as Section 65.46, Texas Education Code) (collectively, the "Acts"), and such other provisions of the Constitution and laws of the State of Texas and the United States of America as I believe necessary to enable me to render the opinions herein contained;
- (7) opinion of James E. Crowson, Esq., general counsel to the Board, of even date herewith provided to you under Section 3.10(a)(v) of the Agreement; and
- (8) such other agreements, documents, certificates (including a No-Arbitrage Certificate), opinions, letters, and other papers, including all documents delivered or distributed at the closing of the Agreement, as we have deemed necessary or appropriate in rendering the opinion set forth below.

In our examination, we have assumed the authenticity of all documents, agreements and certificates submitted to us as originals, conformity to the originals of all documents, agreements and certificates submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents, agreements and certificates, and the accuracy of the statements contained in such certificates. We have also assumed, as to the Agreement, that such constitutes the valid and binding agreement of Bank, enforceable in accordance with its terms as to Bank.

Based upon the foregoing, and subject to the qualifications set out below, we are of the opinion, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof, that:

1. The Board is a governmental agency and political subdivision of the State of Texas and has the requisite power and authority under Texas law to issue the Promissory Note and to enter into and perform under the Agreement, to issue the Promissory Note, and to borrow, repay and reborrow under the Promissory Note in accordance therewith and in accordance with the Agreement.

2. The Board has duly adopted the Resolution, and has duly authorized and approved the execution and delivery of, and the performance by the Board of the obligations on its part contained in, the Promissory Note, the Resolution, and the Agreement, and the consummation by it of all other transactions contemplated by such instruments.

3. The Agreement, and the Promissory Note, has been executed and delivered by duly authorized officers of the Board. The Agreement and the Promissory Note each constitute valid and binding obligations of the Board, enforceable against the Board in accordance with their respective terms (such obligations being limited in the case of the Promissory Note to the amounts advanced and outstanding thereunder or otherwise payable in accordance with the terms thereof).

4. No authorization, consent, approval, permit, license or exemption of, or filing or registration with, any governmental department, commission, board, instrumentality, authority, agency or bureau not already obtained is required for the valid execution and delivery of the Resolution, the Agreement, and the Promissory Note by the Board or in connection with the performance by the Board of its obligations under such documents.

5. The Promissory Note, ratably with the Project Notes, are solely payable from and secured (i) the proceeds from (a) the sale of Fund Priority Obligations or Short Term Obligations or other obligations of the Board under the Constitutional Amendment issued for such purpose, and (b) the sale of Project Notes issued for such purpose, (ii) the amounts from time to time on deposit in the Series A Note Payment Fund and Special System Account, provided that amounts on deposit in the Series A Note Payment Fund derived from and attributable to Advances under the Agreement are pledged to, and shall be used to pay, amounts payable in respect of Project Notes, and (iii) the Interest of the University in the Available University Fund, said pledge of the Interest of the University in the Available University Fund being subordinate to the pledge thereof for payment of Fund Priority Obligations, and except as so provided the lien of such security interest and pledge is valid and binding in accordance with its terms without further action on the part of the Board and without any filing or recording with regard therein except in the records of the Board. In accordance with Section 6.10 of the Resolution, as limited by Sections 6.03 and 6.05 of the Agreement, the Resolution reserves the right and permits the issuance of Fund Priority Obligations while the Project Notes are outstanding and the issuance of additional Short Term Obligations payable from the same sources, or any portion thereof, without any limitations as

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to principal amount but subject to any terms, conditions and limitations as may be applicable thereto.

6. Under existing statutes, regulations and court decisions existing on the date hereof, and relying on covenants contained in the Resolution and in the No-Arbitrage Certificate above mentioned, interest paid by the Board to Bank on borrowings under the Promissory Note is exempt from federal income taxation.

7. The lien on and pledge of the Collateral established by the Resolution and Agreement are a valid and binding lien on and pledge of such Collateral. No filing of financing statements under the Texas Uniform Commercial Code or recording of the Resolution or Agreement in any public office not already completed is required by law to perfect the lien on and pledge of Collateral received by the Board and pledged to secure the Promissory Note under the Resolution and Agreement.

8. [Bank's rights of mandamus]

Our opinions in paragraphs 3, 5 and 7 above are qualified and limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to or affecting generally the enforcement of creditors' rights and remedies and by the limitations on creditors' remedies contained in the Act, and such opinions are subject to general principles of equity which may permit the exercise of judicial discretion, to the reasonable exercise in the future by the State of Texas and its governmental bodies of the police power inherent in the sovereignty of the State, and to the exercise by the United States of America of the powers delegated to it by the Constitution of the United States of America. Our opinions in paragraph 7 do not extend to the status of title of the Board or the Fund to properties pledged and encumbered.

Very truly yours,

DAR76/G

EXHIBIT "E"

[Opinion of Winstead, McGuire, Sechrest & Minick, P.C.]

_____, 1985

MBank Dallas, National Association ("Bank")
1704 Main Street
Dallas, Texas 75205

MBank Austin, National Association ("Agent")
6th and Colorado
Austin, Texas 78701

Re: \$109,000,000 Credit Agreement among Board of Regents of
the University of Texas System (the "Board"), Bank and
the Agent, Dated December __, 1985 ("Agreement")

Gentlemen:

We have acted as counsel to the Agent and to the Bank in connection with the Agreement among the Board, the Bank and the Agent, and the issuance of a promissory note of the Board (the "Promissory Note") in the principal amount of \$109,000,000. Terms defined in the Agreement and not otherwise defined herein shall have the meanings ascribed to them in the Agreement. In connection therewith, we have examined the following:

- (1) the Agreement;
- (2) Opinion of James E. Crowson, Esq., general counsel to the Board, dated December __, 1985 to the Bank and Agent;
- (3) Opinion of Messrs. McCall, Parkhurst & Horton and of Messrs. Vinson & Elkins, each dated _____, 1985 to the Bank and Agent;
- (4) the Promissory Note;
- (5) the Resolution;
- (6) the Certificate of the Secretary of the Board certifying the names and signatures of each Authorized Representative; and

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(7) such other agreements, documents, certificates, opinions, letters and other papers, as we have deemed necessary or appropriate in rendering the opinion set forth below.

Based upon the foregoing and while we have not independently considered the matters covered in the opinions referred to in clauses (2) and (3) above to the extent necessary to enable us to express ourselves the conclusions stated therein, we are of the opinion that:

1. The documents described in clauses (1) through (6) above appear to be in substantially acceptable legal form; and

2. The documents described in clauses (2) through (6) appear substantially responsive to the requirements of the Agreement.

This opinion is delivered to each addressee pursuant to Section 3.01(a)(vii) of the Agreement, and may be relied upon solely by such addressees.

Yours very truly,

WINSTEAD, MCGUIRE, SECHREST & MINICK, P.C.

By: _____

DAR76/H

EXHIBIT "F"

[Winstead, McGuire, Sechrest & Minick, P.C. Letterhead]

_____, 1985

Board of Regents of
The University of Texas System
201 W. Seventh Street
Austin, Texas 78701

Re: \$109,000,000 Credit Agreement, among Board of Regents of
The University of Texas System (the "Board"), MBank
Dallas, National Association ("Bank"), and MBank Austin,
National Association ("Agent"), dated December __, 1985
(the "Agreement")

Gentlemen:

We have acted as special counsel to the Agent and to the Bank in connection with the Agreement among the Board, the Bank and the Agent, and the issuance of a promissory note of the Board (the "Promissory Note") in the principal amount of \$109,000,000. Terms defined in the Agreement not otherwise defined herein shall have the meaning ascribed to them in the Agreement. This opinion is provided to the Board pursuant to Section 3.01(b)(iii) of the Agreement.

In connection with this opinion, we have examined the following:

1. the Resolution;
2. the Agreement;
3. the Promissory Note;
4. the Articles of Association and Bylaws of the Bank, certificate of organization of the Bank from the Comptroller of the Currency of the United States of America, certificates as to corporate proceedings and resolutions of Bank authorizing the execution and delivery of, and performance under, the Agreement; and

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5. such other instruments, certificates, documents and provisions of the laws of the United States of America as we have deemed relevant and necessary in order to enable us to render this opinion.

In our examination, we have assumed the authenticity of all documents and agreements submitted to us as originals, conformity to the originals of all documents and agreements submitted to us as certified or photostatic copies, the authenticity of the originals of such latter documents and agreements, and the accuracy of the statements contained in such certificates. We have also assumed that the Agreement and the Promissory Note constitute valid and binding agreements of the Board, enforceable in accordance with their respective terms as to the Board.

Based upon the foregoing, and subject to the qualifications described below, we are of the opinion that, under applicable laws of the United States of America in force and effect on the date hereof:

1. Bank is a national banking association, duly organized and validly existing under the laws of the United States of America. Bank has all necessary power and authority to conduct its business and perform its obligations under the Agreement.

2. The Agreement has been duly authorized, executed and delivered by the Bank and constitutes the valid and binding obligation of the Bank, enforceable against Bank in accordance with its terms, except (a) as limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter in effect relating to, or affecting generally the enforcement of creditors' rights and remedies against, national banking associations, as the same may be applied in the event of the bankruptcy, insolvency, liquidation, reorganization or similar situation of Bank or a moratorium applicable to Bank, and (b) that no opinion is expressed as to the availability to the holders of the Project Notes issued pursuant to the Resolution, the Board, any trustee in bankruptcy or any other Person against Bank of any equitable remedies, including specific performance and injunctive relief.

3. No authorization, consent or approval of any governmental authority of the United States of America or any state or any political subdivision thereof or any agency, department, commission, board, bureau or court having jurisdiction over any of the Bank not already obtained is required in connection with the valid execution and delivery of the Agreement by Bank or in connection with the performance by each of the Bank of its respective obligations under the Promissory Note.

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With respect to the opinion stated in paragraph 2. above as to enforceability of the Agreement, we have assumed compliance by the Bank with its lending limits under applicable law.

This opinion is given as of the date hereof, and we undertake no, and hereby disclaim any, obligation to advise you of any change in any matters set forth herein. Further, this opinion is to be used solely for the benefit of the Board, their respective successors and assigns, and this opinion may not be relied upon in any manner nor used by any other person, other than Morgan Guaranty Trust Company of New York, as the Paying Agent appointed pursuant to the Resolution.

Very truly yours,

WINSTEAD, MCGUIRE, SECHREST & MINICK,
A Professional Corporation

By: _____
Darrel A. Rice

cc: Morgan Guaranty Trust
Company of New York
23 Wall Street
P. O. Box 495
New York, New York 10015

EXHIBIT B

TRUST AGREEMENT

STATE OF TEXAS
COUNTY OF TRAVIS

KNOW ALL WHO COME
BY THESE PRESENTS

This Trust Agreement is entered into by The University of Texas System (hereinafter sometimes referred to as "Trustor" or the "System") and Ann W. Richards, Treasurer of the State of Texas, (hereinafter sometimes referred to as the "Treasurer" or the "Trustee".)

ARTICLE I.

STATUTORY BASIS AND PURPOSE FOR THE TRUST

During the 69th Legislature, the System obtained express statutory authority to issue "variable rate notes." See, HB 1837, 69th Legislature. Necessary to the system's plans to begin to market said variable rate notes are a quick and efficient system for paying interest and principal on said notes as they become due and payable. Under existing law, the Treasury invests and safekeeps the Available University Fund. Also during the 69th Legislature, the Treasurer obtained express statutory authority to serve as Trustee of Funds outside the Treasury. See, SB 366, 69th Legislature, Section 3.051. It is the intention of the parties hereto to establish from monies contained in the Available University Fund a secure, collateralized, interest-bearing account outside the Treasury for the purpose of servicing the variable rate notes issued by the System. Said account will be entitled "The State Treasurer-The University of Texas System Special Account" (hereinafter sometimes referred to as "the Account.")

ARTICLE II.

CREATION OF THE TRUST

The System by these presents does appoint the Treasurer as Trustee for the purpose of investing and collateralizing funds in the Account.

ARTICLE III.

POWERS AND DUTIES OF THE TRUSTEE

- (a) The Treasurer, as Trustee, will contract with the Texas State Treasury ("Treasury") to manage System funds with the same degree of care and assuming the same duty to the System that is applicable to the management of funds inside the Treasury. The form of the contract between the Treasurer and the Treasury is attached hereto as Exhibit "A" and is expressly approved by the System.
- (b) The System desires that the funds in the account subject to this Trust be invested in the same manner and at the same rate as other State Treasury, interest-bearing money market accounts. In investing System funds, the Treasury shall have all the obligations, duties and powers set out in Section 2.011-2.015 and Sections 3.001-3.003 of SB 366, 69th Legislature and orders of the Texas State Depository Board from time to time in effect. These powers include but are not limited to approval of the form of any surety bond offered as collateral.
- (c) The Trustee shall not at any time be held liable for any action or default of herself, her agents, Treasury employees or of any other person in connection with the administration of the Trust Estate, unless caused by gross negligence or wilful misconduct.

ARTICLE IV.

DEPOSITS AND WITHDRAWALS FROM THE ACCOUNT

The System shall effect the transfer of funds into and out of the Account by employing the following procedures:

- (a) To make a deposit into the Account, the System will cause to be issued by the Comptroller of Public Accounts a warrant made payable to "Ann W. Richards, Trustee for the University of Texas System." The Treasurer shall immediately deposit said warrant into the Account.

- (b) The System shall provide to the Treasurer a resolution in the form attached hereto as Exhibit B indicating those individuals empowered to issue instructions concerning the Account.
- (c) The Treasurer shall provide a resolution to the System in the form attached as Exhibit C indicating those individuals empowered to receive and execute instructions concerning the Account.
- (d) To withdraw funds from the Account, an authorized System representative shall issue instructions not later than 1:00 p.m. on the day funds are to be transferred to an authorized Treasurer's representative that a sum certain be wired in immediately available funds to Morgan Guaranty Trust Company of New York/FTR Corporate Trust Department 999-99-739 reference The University of Texas System Variable Rate Notes _____ (Acct.No.). Said instructions may be oral, provided however, that a written confirmation signed by any two individuals authorized per Exhibit "B" be received by the Treasurer's representative within 24 hours of the oral instruction. The System hereby acknowledges that the Treasurer's representative may rely on the accuracy of the sum communicated by the System's representative. If the System delivers instructions to the Treasurer after 1 p.m., the Treasurer will use its best efforts to complete the transfer before the end of the business day. The System acknowledges that the securities wire system is in large part beyond the Treasurer's control. The System hereby releases the Treasurer from any wire related failures, delays or defaults unless the failures, delays or defaults are caused by the Treasurer's own gross negligence or willful misconduct.
- (e) Wire and other charges incurred to transport the funds will be billed to the System by the Banks currently used by the Treasurer for similar services. The Banks' current fee schedules will be provided to the System.
- (f) At the end of each month, the Treasurer shall issue a report to the System indicating the balance remaining in the Account and the interest earned on the Account for that month.

All requests to transfer funds into or out of the Account shall be made by the System in accordance with the above referenced procedures.

receipt requested, telecopy or delivered to Paul Williams, Associate Deputy Treasurer, P.O. Box 12608, Capitol Station, Austin, Texas 78711 (111 E. 17th Street, Austin, Texas 78702). All written notices to The University of Texas System concerning this trust shall either be forwarded to The University of Texas System by certified mail, return receipt requested, telecopy or delivered by hand to:

Thomas Ricks
Manager - Debt Administration
The University of Texas System
210 W. 6th Street
Austin, Texas 78701
Telephone: (512) 499-4340
Telephone: (512) 499-4696

- (d) This Trust Agreement shall be governed by the laws of the State of Texas and is performable in Travis County, Texas.
- (e) If any part, clause, provision or condition of this trust is held to be void, invalid, or inoperative, such voidness, invalidity, or other inoperativeness shall not effect any other clause, provision or condition hereof; but the remainder of this Trust Agreement shall be effective as though such clause, provision, or condition had not been contained therein.
- (f) As used in this Trust Agreement, the masculine, feminine or gender, and singular or plural number shall be deemed to include the others whenever the context so indicates.

In Witness Whereof, this Trust Agreement has been signed by the Trustor and the Trustee on this _____ day of _____, 1985.

TRUSTOR
THE UNIVERSITY OF TEXAS SYSTEM

TRUSTEE
TEXAS STATE TREASURER

By: _____

ANN W. RICHARDS

Its: _____

EXHIBIT "A"

CONTRACT BETWEEN
THE TEXAS STATE TREASURER
AND
THE TEXAS STATE TREASURY

This is an agreement by and between Ann W. Richards, Treasurer of the State of Texas, (hereinafter sometimes referred to as "Treasurer" or "Richards") and the Texas State Treasury (hereinafter sometimes referred to as "Treasury") and is as follows:

WITNESSETH

WHEREAS, contemporaneously with the execution of this contract, the Treasurer has signed a Trust Agreement with The University of Texas System agreeing to serve as Trustee of the State Treasurer-University of Texas System Special Account; and

WHEREAS, SB 366, 69th Legislature, Section 3.051 in pertinent part provides, "(b) the Treasurer functioning as the Trustee of funds or property outside the Treasury may contract with the Treasury to manage the funds or property in a manner similar to the management of funds in the Treasury"; and

WHEREAS, the Treasurer pursuant to Section 3.051 desires to contract with the Treasury to manage for her the "the State Treasurer-The University of Texas Special Account"; and

WHEREAS, The University of Texas System has consented to this contract and all of its terms;

NOW THEREFORE, in consideration of the mutual promises and considerations herein contained (including obligations imposed upon the parties by statute) the parties hereto agree to as follows:

I.

The Treasury hereby agrees to manage for the Treasurer that one certain account known as the State Treasurer-The University of Texas System-Special Account. The Treasury shall safekeep and invest said account in the manner provided by Sections 2.011-2.015 and Sections 3.001-3.003 of SB 366, 69th Legislature and the State Depository Board rules interpreting those statutes from time to time in effect.

EXECUTED this _____ day of _____, 1985.

TEXAS STATE TREASURY

ANN W. RICHARDS
Texas State Treasurer

By: _____
MARY BETH ROGERS
Deputy Treasurer

Consent Granted

The University of Texas System

By: _____

Its: _____

RESOLUTION AUTHORIZING
SPECIAL ACCOUNT WITHDRAWAL AGENTS

Pursuant to SB 366, 69th Legislature, Section 3.051 The University of Texas System and the Treasurer of the State of Texas have created "The State Treasurer-The University of Texas System Special Account" for the purpose of investing and collateralizing System Funds.

The University of Texas System, by and through its duly appointed Board of Regents does hereby certify that the following administrative officers of the University of Texas System, the Executive Vice Chancellor for Asset Management, Vice Chancellor and General Counsel, Director of Asset Strategy and Planning, Manager of Debt Administration, Manager-Endowment Real Estate, Controller, and Director of Accounting have full authority and are empowered to execute all documents and instructions necessary or incidental to creating and maintaining the Special Account. Their true signatures appear below.

This authority shall remain in full force and effect until written notice revoking or modifying the same has been received by The University of Texas System.

IN WITNESS WHEREOF, the Regents have hereunto affixed the seal of The University of Texas System.

SIGNED AND ENTERED this _____ day of _____ 1985.

THE UNIVERSITY OF TEXAS SYSTEM
BY: _____
ITS: _____

The current holders of the above referenced positions have affixed their signature and titles hereto. Certificates of incumbency for each have been provided to the Treasurer.

EXHIBIT "C"

RESOLUTION AUTHORIZING
SPECIAL ACCOUNT WITHDRAWAL AGENTS

Pursuant to SB 366, 69th Legislature, Section 3.051 The University of Texas System and the Treasurer of the State of Texas have created "The State Treasurer-The University of Texas System Special Account" for the purpose of investing and collateralizing System Funds.

I do hereby certify that PAUL J. WILLIAMS, WINSOME JEAN, CAROLYN BOWMAN, JUANITA GONZALES AND TERRI CURRY have full authority and are empowered to execute all documents and instructions necessary or incidental to creating and maintaining the special account. Their true signatures appear below.

This authority shall remain in full force and effect until written notice revoking or modifying the same has been received by the Treasurer of the State of Texas.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of the Treasurer of the State of Texas.

SIGNED AND ENTERED this _____ day of _____ 1985.

ANN W. RICHARDS, State Treasurer

PAUL J. WILLIAMS

WINSOME JEAN

CAROLYN BOWMAN

JUANITA GONZALES

TERRI CURRY

EXHIBIT C

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT (this "Agreement"), is entered into as of December 1, 1985, by and between the Board of Regents of The University of Texas System (the "Board"), and Morgan Guaranty Trust Company of New York, New York, New York, (the "Bank").

RECITALS OF THE ISSUER

Pursuant to a resolution adopted by the Board on December 5, 1985 (the "Resolution"), the Board has duly provided for the issuance, from time to time, of its notes, entitled "Board of Regents of The University of Texas Systems Permanent University Fund Commercial Paper Notes, Series A" (the "Commercial Paper Notes") and "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A" (the "Variable Rate Notes" and, together with the Commercial Paper Notes, the "Notes"); provided that the aggregate principal amount of the Notes at any one time outstanding pursuant to the Resolution may not exceed \$100,000,000;

Variable Rate Notes issued under the Resolution shall be in fully registered form, without coupons, and Commercial Paper Notes issued under the Resolution shall be in registered form, without coupons, provided that such Commercial Paper Notes may be registered to bearer;

All things necessary to make the Notes the valid obligations of the Board, in accordance with their terms, will be done upon the issuance and delivery thereof;

The Board and the Bank wish to provide the terms under which the Bank will act as Paying Agent to pay the principal and interest on the Notes and to pay the purchase price of tendered Notes, all in accordance with the terms thereof, and under which the Bank will act as Registrar for the Notes;

The Board and the Bank have duly authorized the execution and delivery of this Agreement; and all things necessary to make this Agreement the valid agreement of the parties, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF BANK AS
PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Board hereby appoints the Bank to act as Paying Agent with respect to the Notes, to pay to the Holders (as defined in the Resolution) of the Notes the principal of and interest on all or any of the Notes including the purchase price of any Notes tendered for purchase by said Holders, all in accordance with the terms and provisions of this Agreement and Resolution.

The Board hereby appoints the Bank as Registrar with respect to the Notes, to authenticate the Notes and to register the transfer, exchange or assignment of Notes, all in accordance with the terms and provisions of this Agreement and the Resolution.

The Bank hereby accepts its appointment, and agrees to act as Paying Agent and Registrar, and to perform all obligations imposed upon it as Paying Agent and Registrar under the Resolution and this Agreement.

Section 1.02. Compensation, Payment of Legal Expenses.

As compensation for the Bank's services as Paying Agent and Registrar, the Board hereby agrees to pay the Bank its customary and reasonable fees in accordance with the fee schedule attached hereto as Exhibit A, or as otherwise agreed by the parties hereto. The Board also agrees to reimburse the Bank for the reasonable fees and expenses paid by the Bank for legal services rendered to it in connection with the discharge of its duties hereunder.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Bank" means the party identified as such on the first page of this Agreement.

"Bank Office" means the corporate trust office of the Bank as indicated on the signature page of the Bank hereon. The Bank will notify the Board in writing of any change in location of the Bank Office.

"Board" means the party identified as such on the first page of this Resolution.

"Commercial Paper Notes" has the meaning set forth in the recitals to this Agreement.

"Notes" has the meaning set forth in the recitals to this Agreement.

"Redemption Date" when used with respect to any Note to be redeemed means the date fixed for such redemption pursuant to the terms of the Resolution.

"Registration Books" means the books or records relating to the registration, payment and transfer or exchange of Notes maintained by the Bank, as Registrar, pursuant to this Agreement and the Resolutions.

"Variable Rate Note" has the meaning set forth in the recitals to this Agreement.

"Stated Maturity" when used with respect to any Note means the date specified in the Resolution as the date on which the principal of such Note is due and payable.

ARTICLE THREE

PAYING AGENT

Section 3.01. Advances by the Paying Agent.

To the extent that the Remarketing Agent (as defined in the Resolution) has given notice (as provided in Section 4.01(e) of the Resolution) that it has remarketed Variable Rate Notes and that the full purchase price thereof required to be paid on the purchase date will be paid to the Paying Agent for deposit in the Series A Note Payment Fund (as defined in the Resolution), then the Paying Agent may, but shall not be obligated to, credit the Series A Note Payment Fund in the amount of such purchase price. To the extent the Paying Agent has so credited the Series A Note Payment Fund, it shall not be required to obtain funds from the Board in respect of such Variable Rate Notes on such date. If the Paying Agent makes any such credit to the Series A Note Payment Fund in immediately available funds, such credit shall represent an advance by it to the Board to be repaid from the purchase price of the remarketing or by the Board in the event that such purchase price is not received by the Paying Agent. It is intended that any such advance shall be for no longer than 24 hours. Interest on each unpaid advance shall be at a rate negotiated between the Paying Agent and the Board and shall begin to accrue on the day of the advance.

ARTICLE FOUR

REGISTRAR

Section 4.01. Unauthenticated Notes.

The Board shall provide an adequate inventory of unauthenticated Notes to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Notes in safekeeping and will use reasonable care in maintaining such Notes in safekeeping, which shall be not less than the care it maintains for debt securities of other government entities or corporations for which it serves as registrar, or which it maintains for its own bonds.

Section 4.02. Form of Registration Books.

The Bank as Registrar will maintain the records of the Registration Book in accordance with the Bank's general practices and procedures in effect from time to time.

Section 4.03. Reports.

The Bank will provide the Board reports not less often than once each three months, which reports will describe in reasonable detail all transactions pertaining to the Notes and the Registration Books. The Board may also inspect and make copies of the information in the Registration Books at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Registration Books to any person other than to, or at the written request of, an authorized officer or employee of the Board, except upon receipt of a subpoena or court order. Upon receipt of a subpoena or court order, the Bank will notify the Board immediately so that the Board may contest the subpoena or court order.

Section 4.04. Cancelled Notes.

All Notes surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the Board, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Board may at any time deliver to the Bank for cancellation any Notes previously authenticated and delivered which the Board may have acquired in any manner whatsoever, and all Notes so delivered shall be promptly cancelled by the Bank. All cancelled Notes held by the

Bank shall be destroyed and evidence of such destruction furnished to the Board.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Bank.

The Bank undertakes to perform the duties set forth herein and in accordance with the Resolution and agrees to use reasonable care in the performance thereof.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank by the Board.

(b) The Bank shall not be liable to the Board for actions taken under this Agreement so long as it acts in good faith and exercises due diligence with regard to its duties hereunder.

(c) This Agreement is not intended to require the Bank to expend its own funds for performance of any of its duties hereunder.

(d) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys.

Section 5.03. Recitals of Board.

The recitals contained in the Resolution and the Notes shall be taken as the statements of the Board, and the Bank assumes no responsibility for their correctness.

Section 5.04. May Own Notes.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Notes with the same rights it would have if it were not the Paying Agent and Registrar for the Notes.

Section 5.05. Money Held by Bank.

Money held by the Bank hereunder shall be held in trust for the benefit of the Holders of the Notes.

The Bank shall be under no obligation to pay interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal or interest on or purchase price of any Note and remaining unclaimed for _____ years after the stated maturity of the Note will be paid by the Bank to the Board, upon receipt of a written request signed by an Authorized Representative (as defined in the Resolution) of the Board, and the Board and the Bank agree that the Holder of such Note shall thereafter look only to the Board for payment thereof, and that all liability of the Bank with respect to such moneys shall thereupon cease.

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Board or the Bank shall be mailed or delivered to the Board or the Bank, respectively, at the addresses shown hereon, or such other address as may have been given by one party to the other by 15 days written notice.

Section 6.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Board and the Bank shall bind their successors and assigns, whether so expressed or not.

Section 6.06. Severability.

If any provision of this Agreement shall be invalid or unenforceable, the validity and enforceability of the remaining provisions hereof shall not in any way be affected or impaired.

Section 6.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.08. Resolution Governs Conflicts.

This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the Stated Maturity date or Redemption Date of the last Note to mature or be redeemed, whichever first occurs, and may be terminated by the Board at any time upon _____ () days written notice to the Bank. In the event of early termination regardless of circumstances, the Bank shall deliver to the Board or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Registration Books.

Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and shall be governed by the laws of the State of New York.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Authorized Representative

ADDRESS: _____

ATTEST:

Executive Secretary

(SEAL)

MORGAN GUARANTY TRUST COMPANY OF
NEW YORK

By _____
Title _____

ADDRESS: _____

ATTEST:

Title

(SEAL)

EXHIBIT D

REMARKETING AGREEMENT

Remarketing Agreement, dated as of December 1, 1985, among the Board of Regents of the University of Texas System (the "Issuer"), Morgan Guaranty Trust Company of New York, as Paying Agent/Registrar (the "Paying Agent/Registrar") under the Resolution, adopted on December 5, 1985 (the "Resolution"), relating to \$100,000,000 aggregate principal amount of the Issuer's Permanent University Fund Variable Rate Notes, Series A (the "Securities") and Goldman, Sachs & Co., as Remarketing Agent (the "Agent").

1. Representations and Warranties. The Issuer represents and warrants to the Agent that:

(i) The Securities have been duly authorized, executed, authenticated, issued and delivered and constitute valid and binding obligations of the Issuer in accordance with their terms and are entitled to the benefits of the Resolution.

(ii) The Credit Agreement dated as of December 1, 1985 relating to the Securities has been duly authorized, executed and delivered and constitutes a valid and binding obligation of MBank Dallas, N.A. (the "Bank") in accordance with its terms is in full force and effect and will be in full force and effect at the time of any remarketing of Securities hereunder.

(iii) The Securities have been rated _____ by Standard & Poor's Corporation and such ratings or higher ratings by such statistical rating organization will be in effect at the time of any remarketing of Securities hereunder.

(iv) The Issuer has furnished to the Agent for use in remarketing the Securities the Official Statement (the "Offering Document"), and the Offering Document is, and at the time of remarketing any Securities hereunder will be, accurate in all material respects and does not, and will not, omit to state a material fact necessary to make the statements therein not misleading.

(v) Since the date of the Issuer's most recent statement of financial condition, there has not occurred, and prior to any remarketing of Securities hereunder there will not have occurred, any material adverse change in the financial condition or general affairs of the Issuer.

2. Certain Agreements of the Issuer.

The Issuer agrees with the Agent that:

(i) The Issuer will immediately notify the Agent by telephone (which shall promptly be confirmed in writing) of: (A) any fact or occurrence as a result of which the Offering Document would be or become misleading or any representation or warranty of the Issuer would become false, (B) any material adverse change in the financial condition or general affairs of the Issuer or the Bank, (C) any reduction, or any suggestion by Standard & Poor's that it is considering a possible reduction, in the rating of the Securities below those set forth in Section 1[(a)](iii), (D) any adverse change, or threatened adverse change, in the Federal income tax treatment of holders of the Securities, (E) the need for an opinion of tax counsel as to the tax status of any of the Securities, (F) any substitution of a bank for the Bank under the Credit Agreement or replacement of the Paying Agent/Registrar under the Resolution, (G) any event of default under the Resolution or any event which, with notice or lapse of time or both, would constitute such an event of default and (H) any change in the dates for the redemption or purchase of the Securities;

(ii) The Issuer will, at its expense, furnish the Agent such number of copies of the Offering Document as the Agent may from time to time reasonably request. If any event occurs as a result of which the Offering Document, as then amended or supplemented, would include an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Issuer will promptly amend or supplement the Offering Document to correct such statement or supply such omitted fact; provided, however, that no such amendment or supplement will be made prior to allowing the Agent a reasonable opportunity to review it. The Issuer will furnish the Agent such number of copies of the Offering Document, as so amended, or such supplement as the Agent may reasonably request; and

(iii) The Issuer will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the Issuer promptly after they are made available to the public by the Issuer and such additional information concerning the operations and financial condition of the Issuer as the Agent may from time to time reasonably request.

3. Remarketing

(a) The Issuer appoints the Agent as its exclusive agent for the remarketing of the Securities and, in reliance on the representations contained herein and subject to the terms hereof, the Agent agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal amount thereof plus accrued interest, if any, the Securities which it has been advised by the Paying Agent/Registrar have been tendered by the holders thereof pursuant to the Resolution and to perform the other obligations of the Agent as set forth in the Resolution. In addition, in recognition of the market conditions expected to exit through the end of 1986, the Remarketing Agent agrees to purchase on December 20, 1986 those Securities which cannot be remarketed and to maintain such investment or so much as cannot be remarketed until January 3, 1986. Those Securities purchased by the Agent and not remarketed

shall have successive Flexible Rate Periods of one day's duration through January 2, 1986.

(b) In the event of (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange; (ii) a general moratorium on commercial banking activities in New York declared by either Federal or New York State authorities; (iii) the engagement by the United States in hostilities which have resulted in the declaration of a national emergency or war, if the effect of any such declaration in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Securities; or (iv) the occurrence of any of the events contemplated by Section 2[(a)](i), whether the Agent learns thereof from the Issuer or otherwise, and so long as such situation continues to exist, the Agent shall have the right to suspend its efforts to solicit offers to purchase the Securities.

(c) As compensation for its services hereunder, the Issuer shall pay the Agent an initial fee of _____ together with ongoing compensation in the form of a fee of _____% per annum in respect of the aggregate principal amount of the Securities outstanding from time to time. Such fee shall be payable in arrears commencing January 1, 1986 and at the final maturity of the Securities or earlier termination of this Agreement. The Issuer also agrees to pay the reasonable out-of-pocket expenses of the Agent (including, without limitation, the fees and disbursements of its counsel and any costs incurred in connection with the preparation, reproduction and delivery of documents) incurred in connection with the performance of its obligations hereunder.

4. The Agent.

(a) The Agent will be acting solely as the Issuer's agent in the re-sale of the Securities, and, other than as set forth herein, the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Securities.

(b) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Securities, and may join in any action which any holder of Securities may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee or agent for any committee or body of holders of Securities or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

(c) The Agent shall incur no liability to the Issuer, Company or any other person for its actions as Agent pursuant to the terms of this Agreement except for its willful misconduct or gross negligence. In setting the interest rate(s) on the Securities, the Agent shall not be liable for any error made in good faith.

5. Intention of Parties. It is the express intention of the parties hereto that no purchase, sale or transfer of any Securities, as herein provided, or the setting of interest rates in respect thereof, shall

constitute or be construed to be the extinguishment of any Security or the indebtedness represented thereby or the reissuance of any Security or the refunding of any indebtedness represented thereby.

6. Amendments.

(a) The Issuer agrees not to amend the Resolution insofar as it relates to this Agreement or the rights and duties of the Agent without the prior written consent of the Agent.

(b) This Agreement may not be amended except by a writing signed by each of the parties hereto.

8. Term. Unless previously terminated, this Agreement shall remain in full force and effect until payment in full of the Securities. The Issuer may terminate this Agreement at any time by giving at least five business days' prior written notice to the Agent and the Paying Agent/Registrar. The Agent may terminate this Agreement at any time by giving at least ten business days' prior written notice to the Issuer and the Paying Agent/Registrar. The representations, warranties and agreements of the Issuer set forth herein shall remain in full force and effect regardless of any investigation (or any statement as to the results thereof) made by or on behalf of the Agent and shall survive the termination or expiration of this Agreement. The Issuer shall promptly pay to the Agent the compensation, in accordance with Section 3(c), accrued through the effective date of such termination.

9. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be deemed given when delivered in writing by hand or sent by facsimile transmission, tested telex or registered mail, postage prepaid, addressed as follows:

If to the Issuer:

Facsimile Transmission Number:

If to the Paying Agent/Registrar:

Facsimile Transmission Number:

If to the Agent:

Goldman, Sachs & Co.
85 Broad Street, 26th Floor
New York, New York 10004
Attention: Municipal Note Desk
Facsimile Transmission Number:

Each of the above parties may, by written notice given hereunder to the others, designate any further or different addresses to which, or means by which, subsequent notices, certificates, requests or other communications shall be sent.

10. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

11. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
(Name of Officer)

(Title)

MORGAN GUARANTY TRUST
COMPANY OF NEW YORK

By _____
(Name of Officer)

(Title)

GOLDMAN, SACHS & CO.

(Goldman, Sachs & Co.)

EX-101

OFFICIAL NOTICE OF SALE

\$100,000,000
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
VARIABLE RATE NOTES
SERIES A

The Sale

Notes Offered for Sale at Competitive Bidding: The Board of Regents of The University of Texas System (the "Board") is offering for sale its \$100,000,000 Board of Regents of The University of Texas System Variable Rate Notes, Series A (the "Notes"). The Notes will be delivered initially to the successful bidder (the "Purchaser") as a single fully registered note (the "Initial Note"), without interest coupons, payable to the initial registered owner thereof, to be named by the successful bidder, exchangeable as set forth below. Upon written request by the Purchaser, delivered to the registrar not later than the close of business on the day the Purchaser's bid is accepted, the Initial Note will be exchanged by the registrar on the date of delivery for Notes registered in accordance with instructions contained in such request, in minimum denominations of \$100,000 or in greater amounts in any integral multiple of \$1,000, bearing interest for the initial interest period on the Notes in accordance with the Purchaser's bid, all in accordance with the resolution authorizing the Notes.

Address of Bids: Sealed bids, plainly marked "BID FOR VARIABLE RATE NOTES," should be addressed and delivered to the "Board of Regents of The University of Texas System, c/o Mr. Michael E. Patrick, Executive Vice Chancellor for Asset Management, The University of Texas System, 210 W. 6th Street, Austin, Texas 78701" prior to 12:00 p.m., C.S.T., on December 16, 1985. All bids must be submitted on the Official Bid Form, without alteration or interlineation.

Place and Time of Bid Opening and Award: Representatives of the Board will open and publicly read the bids for the purchase of the Notes in the office of the Executive Vice Chancellor for Asset Management, The University of Texas System, 210 W. 6th Street, Austin, Texas at 12:00 noon, C.S.T., on December 16, 1985, and will award the Notes (or reject all bids) by 12:15 p.m., C.S.T., on such date.

The Notes

Description: The Initial Note will be dated as of the date

of initial delivery of the Notes to the Purchaser. The Notes will bear interest at the rate of interest named by the Purchaser from the date of initial delivery of the Notes until December 20, 1985 (the "Mandatory Tender Date"). ON THE MANDATORY TENDER DATE, THE NOTES ARE SUBJECT TO MANDATORY TENDER FOR PURCHASE, WITHOUT RIGHT OF RETENTION BY THE REGISTERED OWNER THEREOF, AT A PURCHASE PRICE EQUAL TO THE PRINCIPAL AMOUNT THEREOF PLUS ACCRUED INTEREST FROM THE DATE OF INITIAL DELIVERY THEREOF. Thereafter, the Notes will bear interest at a variable rate, set in the manner described in the Official Statement for the Notes. Reference is hereby made to the Official Statement, which describes in greater detail the terms of the Notes, including their maturity and payment and the security therefor.

Remarketing Agent: Goldman, Sachs & Co. has been appointed by the Board to serve as remarketing agent for the Notes. Pursuant to its Remarketing Agreement with the Board, the Remarketing Agent is obligated to purchase all of the Notes on the Mandatory Tender Date.

Paying Agent/Registrar: Morgan Guaranty Trust Company, New York, New York, has been appointed by the Board to serve at the Board's discretion as paying agent and registrar for the Notes.

Conditions of the Sale

Types of Bids and Interest Rates: The Notes will be sold in one block on an "all or none" basis, and at a price of not less than par value. Bidders are invited to name the rate of interest to be borne by the Notes for the first interest period on the Notes, which shall be from the date of initial delivery thereof until the Mandatory Tender Date, provided that each bid must name only one rate of interest for all Notes and such interest rate must not exceed 15%.

Basis for Award: Subject to the right of the authorized representatives of the Board to reject any or all bids and to waive any irregularities, the Notes will be awarded to the bidder whose bid produces the lowest net effective interest cost on the Notes for the initial interest period. In the event that two or more bidders submit an identical lowest bid the Purchaser will be selected by lot from among all such bidders.

Delivery of the Notes and Accompanying Documents

Printed Notes and CUSIP Numbers: The Initial Note will be delivered to the Purchaser in typed or printed form. It is anticipated that CUSIP identification numbers will be printed on the Notes, but neither the failure to print such number on any of the Notes nor any error with respect thereto shall constitute

cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Notes in accordance with the terms of this Official Notice of Sale and the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Notes, including the CUSIP Service Bureau charge for the assignment of the numbers, shall be paid by the Board.

Delivery: Delivery will be accomplished by the issuance and delivery of the Initial Note, signed manually or in facsimile by the Chairman and the Executive Secretary of the Board, together with evidence of the approval of the Notes by the Attorney General of the State of Texas, and registration by the Comptroller of Public Accounts of the State of Texas. Delivery of the Notes will be at the corporate trust office of the registrar. Payment for the Notes must be made in immediately available funds for unconditional credit to the Board, or as otherwise directed by the Board. It is anticipated that delivery can be made on December 17, 1985, and it is understood and agreed that the Purchaser will accept delivery and make payment for the Notes by 12:00 Noon, E.S.T. on December 17, 1985, or thereafter on December 18, 1985, if the Notes are tendered for delivery on such date. If for any reason the Board is unable to make delivery on or before December 18, 1985, then both the Board and the Purchaser shall be relieved of any further obligation.

Conditions of Delivery: The obligation of the Purchaser to take up and pay for the Notes is subject to the Purchaser's receipt of (a) the joint legal opinion of McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel for the Board ("Co-Bond Counsel"), (b) the certification of the Official Statement, and (c) the no-litigation certificate, all as further described below.

Legal Opinions: The Notes are offered when, as, and if issued, subject to the unqualified legal opinion of the Attorney General of the State of Texas, and of McCall, Parkhurst & Horton and Vinson & Elkins (see "Legal Matters" in the Official Statement); the opinion of said firms will be printed on the Notes (excepting the Initial Notes).

Certification of Official Statement: The financial data and other information contained in the Official Statement have been obtained from the Board's records and other sources which are believed to be reliable. At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by the Executive Vice Chancellor for Asset Management, acting in his official capacity, to the effect that to the best of his knowledge and belief: (a) the Official Statement, dated December __, 1985, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of the sale of the Notes and the acceptance of the best bid therefor and on the date of the delivery, did not and does not contain an

untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; and (b) there has been no material, adverse change in the financial condition of the Board from that reflected in the Board's unaudited and audited financial statements and other financial information contained in the Official Statement.

No-Litigation Certificate: The Chairman of the Board, acting in his official capacity, will execute and deliver to the Purchaser a certificate to the effect that no litigation of any nature has been filed or is then pending which would restrain or enjoin the issuance or delivery of the Notes or affect the provisions made for their payment or in any manner question the validity of said Notes.

Change in Tax Exempt Status: At any time before the Notes are tendered for delivery, the Purchaser may withdraw its bid if the interest received by private owners from notes of the same type and character shall be declared to be taxable income under federal income tax laws, either by ruling of the Internal Revenue Service or by a decision of any federal court, or shall be declared taxable or be required to be taken into account in computing any federal income taxes, by the terms of the federal income tax law enacted subsequent to the date of this Official Notice of Sale.

General

Remarketing Agent's Right to Bid: Goldman, Sachs & Co., the Remarketing Agent, reserves the right to bid on the Notes.

Blue Sky Laws: By submission of its bid, the Purchaser represents that the sale of the Notes in states other than Texas will be made only pursuant to exemptions from registration or, where necessary, the Purchaser will register the Notes in accordance with the securities law of the states in which the Notes are offered or sold. The Board agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering the Notes or obtaining an exemption from registration in any state where such action is necessary; provided, however, that the Board will not be required to execute a special or general consent to service of process or qualify to do business in connection with any such qualification in any jurisdiction.

Not an Offer to Sell: This Official Notice of Sale does not alone constitute an offer to sell the Notes, but is merely notice of the sale of the Notes. The offer to sell the Notes is being made by means of the Official Notice of Sale, the Official Bid Form and the Official Statement. Prospective purchasers are

urged to examine carefully the Official Statement to determine the investment quality of the Notes.

Additional Copies of Notice, Bid Form and Statement: A limited number of additional copies of this Official Notice of Sale, the Official Bid Form and the Official Statement may be obtained from the Office of the Executive Vice Chancellor for Asset Management, The University of Texas System, 210 West 6th Street, Austin, Texas 78701 or Goldman, Sachs & Co., Municipal Finance Department, 85 Broad Street, New York, New York 10004.

Executive Vice Chancellor for
Asset Management
The University of Texas System
210 West 6th Street
Austin, Texas 78701

December __, 1985

OFFICIAL BID FORM

Chairman and Members of the Board
of Regents of The University of
Texas System

December 16, 1985

Gentlemen:

Reference is made to your Official Statement and Official Notice of Sale, dated December __, 1985, of The University of Texas System Variable Rate Notes, Series A (the "Notes"), both of which constitute a part hereof.

For your legally issued Notes, as described in said Official Notice of Sale and Official Statement, we will pay you par, plus a cash premium of \$ _____, for Notes bearing interest at the rate of _____% from the date of initial delivery of the Notes until December 20, 1985 (the "Mandatory Tender Date"). We understand that on the Mandatory Tender Date, the Notes are subject to mandatory tender for purchase, without right of retention by the registered owner, at a purchase price of par plus accrued interest from the date of initial delivery of the Notes.

The Initial Note shall be registered in the name of _____ We will advise the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions by no later than the close of business on the date hereof.

We agree to accept delivery of and make payment for the Initial Note in immediately available funds at a place to be designated by an authorized representative of the Board no later than 12:00 Noon, E.S.T., on December 17, 1985, or thereafter on December 18, 1985, if the Initial Note is tendered for delivery on that date, pursuant to the terms set forth in the Official Notice of Sale.

Respectfully submitted,

By _____
Authorized Representative

ACCEPTED this 16th day of December, 1985, by the undersigned
authorized representative of The Board of Regents of The Univer-
sity of Texas System.

By _____
Authorized Representative
The University of Texas System

In the opinion of Co-Bond Counsel, interest on the Notes is exempt from federal income taxation under existing statutes, court decisions, regulations and published rulings.

\$100,000,000
Board of Regents of
The University of Texas System

Permanent University Fund Variable Rate Notes, Series A

Dated: Date of Issuance

Due: December 1, 2015

The Notes will constitute valid and legally binding special obligations of the Board of Regents of The University of Texas System (the "Board"), secured by and payable from a lien on and pledge of the "Interest of The University" in the "Available University Fund" which lien and pledge is junior and subordinate to the lien and pledge of the "Fund Priority Obligations" heretofore issued and which may hereafter be issued. (see "Security for the Notes").

The Notes as initially issued will bear interest at Flexible Rates. The rate of interest on the Notes may be changed from time to time to Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rates ("Variable Rates") or Flexible Rates upon notice as described herein and, under certain circumstances, the Notes may be converted to bear interest at a Fixed Rate until maturity. The interest rate to be borne by each Note while bearing interest at Variable Rates or Flexible Rates will be determined by Goldman, Sachs & Co. as Remarketing Agent.

Noteholders have the right to tender their Notes for purchase at the principal amount thereof, plus accrued interest, at the times and subject to the conditions described herein. Unless Noteholders elect to retain their Notes, Noteholders will be required to tender their Notes for purchase at the end of each Flexible Rate Period (as described herein) and upon conversion of the interest rate on the Notes from one interest rate mode to a different interest rate mode, except conversions between Daily and Weekly Rates. Subject to certain limitations, tendered Notes may be remarketed and remain outstanding.

The Notes will be issued in the denominations of \$100,000 and whole multiples thereof while bearing interest at Daily, Weekly, Monthly or Quarterly Rates; in denominations of \$1,000 and whole multiples thereof with a minimum denomination of \$100,000 while bearing interest at Flexible Rates; and in denominations of \$5,000 and whole multiples thereof while bearing interest at a Semiannual or Term Rate or at the Fixed Rate.

Morgan Guaranty Trust Company of New York, New York, New York, is Paying Agent/Registrar for the Notes. Principal or redemption price of and interest on the Notes will be paid in immediately available funds or clearing house funds, depending on the interest rate mode, the principal amount of Notes owned and the instructions of the registered owner, as described herein.

Goldman, Sachs & Co. is the Remarketing Agent for the Notes.

The Notes are subject to redemption prior to maturity as described herein.

All Notes to be Priced 100%

Dated: , 1985

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PRELIMINARY OFFICIAL STATEMENT DATED , 1985

This Preliminary Official Statement constitutes an offer to sell or the solicitation of an offer to buy and shall be effective only if the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

The information contained in this Official Statement has been obtained from the Board and other sources which are deemed to be reliable. This Official Statement is submitted in connection with the sale of the securities referred to herein, and may not be reproduced or be used, in whole or in part, for any other purpose. The delivery of this Official Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

No dealer, salesman or any other person has been authorized by the Board or the Remarketing Agent to give any information or to make any representations other than as contained in this Official Statement in connection with the offering described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer of any securities, other than those described on the cover page, or an offer to sell or a solicitation of an offer to buy in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

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Board of Regents of The University of Texas System

	<u>Residence</u>	<u>Term Expiration</u>
Mr. Jess Hay, Chairman.....	Dallas	1989
Mr. Robert B. Baldwin, III, Vice Chairman.....	Austin	1989
Mr. Shannon H. Ratliff, Vice Chairman.....	Austin	1991
Mr. Jack S. Blanton.....	Houston	1991
Mrs. Janey Slaughter Briscoe.....	Uvalde	1987
Mrs. Beryl Buckley Milburn.....	Austin	1987
Mr. Tom B. Rhodes.....	Dallas	1987
Mr. Bill Roden.....	Midland	1991
Mr. Mario Yzaguirre.....	Brownsville	1989

Mr. Arthur H. Dilly, Executive Secretary

Principal Administrative Officers and Staff

Dr. Hans Mark.....	Chancellor
Dr. James P. Duncan.....	Executive Vice Chancellor for Academic Affairs
Dr. Charles B. Mullins.....	Executive Vice Chancellor for Health Affairs
Mr. Michael E. Patrick.....	Executive Vice Chancellor for Asset Management
Mr. Thomas G. Ricks.....	Manager of Debt Administration
Ms. Brenda Meglasson.....	Director, Asset Strategy and Planning
Mr. James L. Crowson.....	Vice Chancellor and General Counsel
Mr. Gerald Hill.....	Vice Chancellor for Governmental Relations
Mr. Thomas M. Keel.....	Executive Director of Finance and Administration
Mr. Joe E. Boyd, Jr.....	Special Counsel — Finance
Mr. Paul J. Youngdale, Jr.....	Director for Development
Mr. Joe Roddy.....	Director for Public Information
Mr. W. L. Lobb.....	Executive Director for Investment and Trusts
Mr. Frank Graydon.....	Budget Director
Mr. T. M. Grady.....	Comptroller
Mr. R. S. Kristoferson.....	Director of Facilities Planning and Construction
Mr. James C. Werchan.....	Director of Accounting

Investment Advisory Committee

Orson C. Clay, Galveston
 Andrew Delaney, Houston
 Harold W. Hartley, Houston

Dee S. Osborne, Houston
 J. Donald Squibb, Jr., Dallas
 John T. Trotter, Houston

Co-Bond Counsel

McCall, Parkhurst & Horton
 Dallas, Texas

Vinson & Elkins
 Houston and Austin, Texas

\$100,000,000
Board of Regents of
The University of Texas System
Permanent University Fund Variable Rate Notes, Series A

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents of The University of Texas System (the "Board") of its Notes, entitled "Board of Regents of The University of Texas System Permanent University Fund Variable Rate Notes, Series A" (the "Notes"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board authorizing issuance of the Notes.

The University of Texas System (the "System") consists of The University of Texas at Austin and thirteen other state-supported institutions currently included in the System by operation of State law and the Texas Constitution. For a general discussion of the System, see "APPENDIX A."

The Board is created by law and is the constitutionally recognized governing board of the System. As an agency of the State of Texas, its members are officers of the State and are appointed by the Governor with the advice and consent of the Texas Senate.

The Board has outstanding \$345,970,000 of Permanent University Fund Refunding Bonds, Series 1985 which together with any additional bonds and notes hereafter issued on a parity with such Series 1985 Bonds (collectively, the "First Lien Obligations") and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund. The Resolution provides that the Notes and the interest thereon are secured by a lien on and pledge of the Interest of the University of Texas System in the Available University Fund on a junior and subordinate basis to the First Lien Obligations and certain other obligations which may hereafter be issued (the First Lien Obligations and such other obligations collectively, the "Fund Priority Obligations"). See "Security for the Notes".

The Board will also enter into a Credit Agreement with MBank Dallas, National Association (the "Agreement"), pursuant to which MBank Dallas, National Association (the "Bank") will agree during the 10 year term of the Agreement to make advances provided certain conditions are met to refund amounts due on the Notes, which advances are to be evidenced by a note (the "Revolving Note") authorized by the Resolution to be issued on a parity with the Notes. See "The Agreement and Revolving Note".

There follow in this Official Statement brief descriptions and summaries of the Notes, the Agreement, the Revolving Note and the Resolution. Such descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents, copies of which are available at the offices of the Paying Agent/Registrar and Goldman, Sachs & Co.

THE NOTES

The Notes will be initially issued in the aggregate principal amount of \$100,000,000 and initially will bear interest at Flexible Rates. The Notes will mature on December 1, 2013, and are subject to redemption prior to maturity as set forth below. The principal or redemption price of the Notes is

payable at the corporate trust office of Morgan Guaranty Trust Company of New York, New York, New York, as Paying Agent/Registrar.

Prior to conversion of the interest rate on the Notes to a Fixed Rate, the Notes may bear interest at Flexible Rates or at a Variable Rate effective for periods ("Flexible Rate Periods" in the case of Flexible Rates and "Rate Periods" in the case of Variable Rates) selected or approved by an "Authorized Representative" of the Board. The rate of interest to be borne by the Notes during any particular Flexible Rate Period or Rate Period will be determined by the Remarketing Agent as described below under "Determination of Interest on the Notes Prior to Fixed Rate Conversion Date". The Notes may bear interest as follows:

FLEXIBLE RATE MODE. While the Notes bear interest at Flexible Rates, the interest rate for each particular Note will be determined by the Remarketing Agent in accordance with the Resolution and will remain in effect for the duration (not exceeding 180 days) of the Flexible Rate Period selected for that Note by the Remarketing Agent. While the Notes are in the Flexible Rate mode, Notes may have successive Flexible Rate Periods of any duration up to 180 days each and any Note may bear interest at a Flexible Rate and for a Flexible Rate Period different from any other Note.

VARIABLE RATE MODES. The Notes may bear interest at a Variable Rate computed on a Daily, Weekly, Monthly, Quarterly, Semiannual or Term basis.

Daily Rate. While the Notes bear interest at a Daily Rate, the interest rate established for the Notes will be effective from day to day until changed by the Remarketing Agent in accordance with the Resolution.

Weekly Rate. While the Notes bear interest at a Weekly Rate, the interest rate on the Notes will be determined weekly by the Remarketing Agent in accordance with the Resolution to be effective for a seven-day period commencing on Wednesday of the following week.

Monthly Rate. While the Notes bear interest at a Monthly Rate, the interest rate will be determined monthly by the Remarketing Agent in accordance with the Resolution to be effective for a one-month period.

Quarterly Rate. While the Notes bear interest at a Quarterly Rate, the interest rate will be determined quarterly by the Remarketing Agent in accordance with the Resolution to remain in effect for a three-month period.

Semiannual Rate. While the Notes bear interest at a Semiannual Rate, the interest rate will be determined semiannually by the Remarketing Agent in accordance with the Resolution to remain in effect for a six-month period.

Term Rate. While the Notes bear interest at a Term Rate, the interest rate will be determined by the Remarketing Agent to remain in effect for a term of one year or any whole multiple of one year selected by an Authorized Representative.

The interest rate mode selected by an Authorized Representative will remain in effect until changed by an Authorized Representative by notice to the Paying Agent/Registrar and the Remarketing Agent in accordance with the Resolution. Notice of changes in interest rate modes will be given as described below under "Rate Mode Change".

Interest on the Notes will be calculated on the basis of 365-day year, for the actual number of days elapsed while the Notes bear interest at Flexible Rates or at a Daily, Weekly, Monthly or Quarterly Rate. Interest will be calculated on the basis of a 360-day year of twelve thirty-day months while the Notes bear interest at a Semiannual, Term or Fixed Rate. Interest on a Note for a Flexible Rate Period will be paid in immediately available funds to the registered owner at the end of that Flexible Rate Period upon presentation and surrender of the Note. While the Notes bear interest at a Daily, Weekly, Monthly or Quarterly Rate, interest will be paid by check mailed to the registered owner or, at the written election of the registered owner delivered to the Paying Agent prior to the close of business on

the Business Day immediately preceding the interest payment date for which such election will be effective, in immediately available funds to the owner of record at the close of business on such Business Day (such immediately available funds to include wire transfer within the continental United States, federal funds check or deposit into the account of such registered owner if such account is maintained with the Paying Agent/Registrar). While the Notes bear interest at a Semiannual, Term or Fixed Rate, interest will be paid by check mailed to the owner of record at the close of business on the 15th day of the month preceding the interest payment date whether or not a Business Day or by such other method requested by and at the risk and expense of the registered owner.

Interest on the Notes will be paid on the dates indicated herein under "Summary of Certain Provisions of the Notes".

Notes which bear interest at Flexible Rates will be issued in the denomination of \$1,000 and whole multiples thereof, with a minimum denomination of \$100,000. Notes which bear interest at a Daily, Weekly, Monthly or Quarterly Rate will be issued in denominations of \$100,000 and whole multiples thereof. Notes which bear interest at a Semiannual, Term or Fixed Rate will be issued in the denomination of \$5,000 and whole multiples thereof. In the event of a change in interest rate mode so that a registered owner owns Notes in an unauthorized denomination, the principal amount of Notes in excess of the authorized denomination is subject to mandatory tender for purchase at the principal amount thereof plus accrued interest on the date of conversion to the new interest rate mode.

Notes may be exchanged or transferred at the corporate trust office of the Paying Agent/Registrar. For every exchange or transfer of a Note, the Paying Agent/Registrar shall make a charge sufficient to reimburse it for any tax, fee or governmental charge required to be paid with respect to such exchange or transfer.

If any Note is mutilated, lost, stolen or destroyed, the Resolution provides that the Board shall execute and the Paying Agent/Registrar shall authenticate a new Note. In the case of a lost, stolen or destroyed Note, the Board and the Paying Agent/Registrar may require satisfactory indemnification prior to authenticating a new Note. The Board and the Paying Agent/Registrar may charge reasonable fees and expenses in connection with replacing Notes mutilated, lost, stolen or destroyed.

Goldman, Sachs & Co. has been appointed to serve as Remarketing Agent (the "Remarketing Agent") for the Notes. The Remarketing Agent may be removed and a successor Remarketing Agent may be appointed in accordance with the Resolution and the Remarketing Agreement.

Determination of Interest on the Notes Prior to Fixed Rate Conversion Date

On the date of initial authentication and delivery of the Notes, the Notes shall bear interest at Flexible Rates. Thereafter, but prior to conversion of the interest rate on the Notes to a Fixed Rate, the interest rate mode for the Notes may be changed from time to time in the manner described below under "Rate Mode Change."

During each Rate Period, the rate of interest on the Notes shall be that rate which the Remarketing Agent determines, under prevailing market conditions on the date of such determination, would result in the market value of the Notes being 100% of the principal amount thereof. The Remarketing Agent will give the Authorized Representative telephonic notice of the establishment of the rate of interest.

While in the Flexible Rate mode, each Flexible Rate shall be determined by the Remarketing Agent in connection with the sale of the Note or Notes to which they relate by the offer and acceptance of purchase commitments for such Notes at a Flexible Rate or Rates and for such Flexible Rate Periods as it deems to be advisable in order to minimize the net interest cost on the Notes under prevailing market conditions and shall notify an Authorized Representative of the Flexible Rate Period and the Flexible Rate for each Variable Rate Note by providing telephonic notice of such period and rate to the Authorized Representative. If the Flexible Rate Period is approved by an Authorized

Representative (and it will be deemed to be approved if it is not rejected by an Authorized Representative within thirty minutes after such telephonic notice) it shall become effective on the first day of the next succeeding Flexible Rate Period. If the period is rejected by an Authorized Representative, the next succeeding Flexible Rate Period shall be of one days duration.

The determination by the Remarketing Agent of the Flexible Rates or Variable Rate to be borne by the Notes shall be conclusive and binding on the holders of the Notes, the Board, the Paying Agent/Registrar and the Bank. Failure by the Paying Agent/Registrar to give any notice, or any defect therein, shall not affect the interest rate borne by the Notes or the rights of the owners thereof. In the event that the Remarketing Agent is unable, or fails, to determine the Flexible Rates or the Variable Rate, the Flexible Rates or the Variable Rate shall remain those in effect for the then current Flexible Rate Period or Rate Period. In no event shall the interest rate borne by the Notes exceed 15% per annum.

Optional Tender

While the Notes bear interest at Variable Rates, the registered owners of the Notes may tender their Notes for purchase at the principal amount thereof plus accrued interest to the Paying Agent/Registrar, as summarized in the table under "Summary of Certain Provisions of the Notes".

Payment of the purchase price of Notes to be purchased upon optional tender as described herein will be made by the Paying Agent/Registrar in immediately available funds in the event the Notes bear interest at a Flexible, Daily, Weekly, Monthly or Quarterly Rate or in clearing house funds in the event the Notes bear interest at a Semiannual or Term Rate.

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

Mandatory Tender

The Notes are required to be tendered for purchase, at a purchase price equal to the principal amount thereof plus accrued interest, to the Paying Agent/Registrar on the effective date of any change between interest rate modes except changes between the Daily and Weekly Rate Modes, subject, however, to the right of registered owners to elect to retain their Notes as described in the table under "Summary of Certain Provisions of the Notes." Any registered owner electing to retain Notes shall have no right to tender such Notes prior to the effective date of the change in interest rate mode and such election shall be irrevocable and binding upon the registered owner and all subsequent registered owners of such Notes. Additionally, each Note bearing interest at a particular Flexible Rate must be tendered by the registered owner for purchase at the expiration of the term of such Flexible Rate for that Note subject, however, to the right of the registered owner to elect to retain his investment in the Note by irrevocable telephonic or written notice delivered to the Remarketing Agent not later than 3:00 p.m. New York City time (or 12:45 p.m. New York City time on the expiration date in the event of Notes with a Flexible Rate Period of one day) on the day before the expiration of the then current term of such Flexible Rate for that Note; provided, however, that the registered owners shall not have the right to retain possession of their investment in the Notes at the end of the initial Flexible Rate Period for the originally issued Notes. In the event a registered owner of a Note bearing interest at a Flexible Rate desires to retain his investment, the registered owner must present his Note to the Paying Agent/Registrar in exchange for payment of principal and accrued interest in

immediately available funds and the Paying Agent/Registrar will authenticate and deliver a substitute Note for the term of the succeeding Flexible Rate Period in replacement of the old Note.

The Notes are required to be tendered for purchase, at the purchase price described above, to the Paying Agent/Registrar on the Fixed Rate Conversion Date. See "Conversion to a Fixed Rate." Any registered owner may elect to retain his Notes by delivering written notice thereof to the Paying Agent/Registrar not fewer than fifteen days prior to the Fixed Rate Conversion Date pursuant to the Resolution.

Any Note purchaser which is a registered investment company may waive its option to retain Notes subject to mandatory tender pursuant to the foregoing two paragraphs and may request mandatory purchase of its Notes on the next optional tender date by delivering an irrevocable notice to the Paying Agent/Registrar on or after the date it purchases Notes.

At all times prior to conversion to a Fixed Rate, the Notes shall be subject to mandatory purchase at the purchase price described above, upon the expiration or termination of the Agreement, subject to the right of the registered owner to retain his Variable Rate Note (i) on the last Business Day prior to the termination or expiration of the Agreement, provided that no such tender and purchase shall be required if the Agreement is renewed prior to the date of notice from the Paying Agent described below; or, (ii) on the last Business Day prior to the substitution of a new Agreement, for such Variable Rate Notes, provided that no such tender and purchase shall be required if prior to the date of notice the Paying Agent/Registrar shall have received confirmation from Standard & Poor's or Moody's or Fitch (or any of them) to the effect that the rating or ratings assigned by any of such agencies to the Variable Rate Notes will not be lowered as a result of the expiration or substitution.

The Paying Agent/Registrar shall give notice by mail to the registered owners of the Notes subject to mandatory tender as a result of termination or expiration of the Agreement not less than 30 days prior to the mandatory tender date. Any registered owner may elect to retain his Notes by delivering written notice thereof to the Paying Agent/Registrar not fewer than fifteen days prior to the Mandatory Tender Date pursuant to the Resolution as described under "Summary of Certain Provisions of the Notes".

Payment of the purchase price of Notes to be purchased upon mandatory tender as described herein will be made by the Paying Agent/Registrar in immediately available funds in the event the Notes bear interest at Flexible Rates or at a Daily, Weekly, Monthly or Quarterly Rate and in clearing house funds in the event the Notes bear interest at a Semiannual, Term or Fixed Rate.

On any conversion to a Daily, Weekly, Monthly or Quarterly Rate Period, any Note in a denomination which is not a whole multiple of \$100,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any registered owner may elect to retain any portion of its Notes which is in the denomination of \$100,000 or a whole multiple thereof. On any conversion to a Semiannual or Term Rate Period, any Note in a denomination which is not a whole multiple of \$5,000 is subject to mandatory tender for purchase on the applicable Conversion Date at a purchase price equal to the principal amount thereof; provided, that any registered owner may elect to retain any portion of its Notes which is in the denomination of \$5,000 or a whole multiple thereof. On any conversion to Flexible Rate Periods, any Variable Rate Note which is not in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000 is subject to mandatory tender for purchase on the Flexible Rate Conversion Date at a purchase price equal to the principal amount thereof; provided, however, that any registered owner may elect to retain any portion of its Variable Rate Note which is in the denomination of \$100,000 or a whole multiple of \$1,000 above \$100,000.

Interest on any Note which the registered owner has not elected to continue to own after a mandatory tender date and which is not tendered on the mandatory tender date, but for which there has been irrevocably deposited with the Paying Agent/Registrar an amount sufficient to pay the purchase price thereof, shall cease to accrue on the mandatory tender date, and the registered owner

of such Note shall not be entitled to any payment other than the purchase price for such Note, and such Note shall no longer be outstanding and entitled to the benefits of the Resolution, except for the payment of the purchase price of such Note from moneys held by the Paying Agent/Registrar for such payment. On the mandatory tender date the Paying Agent/Registrar shall authenticate and deliver substitute Notes in lieu of such untendered Notes.

Rate Mode Change

While the Notes bear interest at Flexible Rates or a Variable Rate, the Paying Agent/Registrar shall give notice to the registered owners of all Notes of the conversion from one interest rate mode to another at the times described in the table under "Summary of Certain Provisions of the Notes." Each notice of a change between interest rate modes will be sent by first class mail to the registered owner's address as it appears on the registration books of the Paying Agent/Registrar and shall state: (i) the effective date of and the type of interest rate mode to which the change will be made; (ii) the dates by which the Remarketing Agent will determine the Flexible Rates or Variable Rate and the dates by which the registered owners will be notified thereof; (iii) if the Notes (including portions which will not be in authorized denominations) will be subject to optional or mandatory tender on the effective date of the change in the interest rate mode, the procedure for such mandatory tender, including the date and time any notices must be received; and (iv) the procedure (including form of notice) to be followed if the registered owner desires to retain his Notes.

Any conversion from a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period to a Term Rate Period; or from a Term Rate Period to another Term Rate Period; or from a Term Rate Period to a Flexible, Daily, Weekly, Monthly, Quarterly, or Semiannual Rate Period will be conditioned on delivery of an opinion of nationally recognized bond counsel to the effect that the conversion will not adversely affect the exemption of interest on the Notes from federal income taxation.

Conversion of interest rate modes may take place only on an interest payment date for the interest rate mode then in effect, except conversions between Daily and Weekly Rate modes may take place on Wednesdays. In the case of Notes in the Flexible Rate mode, the conversion date must also be the first Business Day of a month. Term Notes may be converted to a different interest rate mode only at the expiration of a Term Rate Period.

Any registered owner of Notes who may be unable to take timely action on any notice should consider whether to make arrangements for another person to act in his or her stead.

Written Notice of Rate

Registered owners will be notified by first-class mail of the Flexible Rates or Variable Rate applicable to the Notes at the times described in the table under "Summary of Certain Provisions of the Notes".

Summary of Certain Provisions of the Notes

While the Notes bear interest at Flexible Rates or a Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate, the dates on which interest will be paid (the "Interest Payment Dates"), the date each interest rate will be determined (the "Rate Determination Date"), the date each interest rate will become effective (the "Effective Date of Rate"), the period of time each interest rate will be in effect (the "Flexible Rate Period/Rate Period"), the requirements for notice to registered owners of interest rate adjustments (the "Written Notice of Rate"), the dates on which registered owners may tender their Notes for purchase to the Paying Agent/Registrar and the notice requirements therefor (the "Optional Tender Dates; Owner's Notice of Optional Tender"), the requirements for physical delivery of tendered Notes and payment provisions therefor ("Physical Delivery of and Payment for Notes Subject to Optional and Mandatory Tender"), the notice requirements in order to change from one interest rate mode to a different interest rate mode ("Written Notice of Rate Mode Change"), the

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date on which Notes are subject to mandatory tender for purchase in the event of a change from one interest rate mode to a different interest rate mode or in the event of a change from one Flexible Rate Period to another Flexible Rate Period ("Mandatory Tender Date Upon Rate Mode Change or Upon Flexible Rate Period Change") and the provisions relating to each registered owner's right to elect to retain his Notes in the event the Notes are subject to mandatory tender as described above (the "Owner's Election to Retain Notes Upon Rate Mode Change When Converting to Designated Rate or Upon Flexible Rate Period Change") are shown in summary in the following table (all times shown are New York City time). A "Business Day" is defined in the Resolution to be any day (a) when banks are open for business in Dallas, Texas, and Austin, Texas and (b) when banks are not authorized to be closed in New York, New York. All references to time are in New York City time.

	Flexible Rates	Daily Rate	Weekly Rate
Interest Payment Dates	With Respect to any Note, the last day of Flexible Rate Period for that Note	First Business Day of each calendar month	First Business Day of each calendar month
Rate Determination Date	For each Note, prior to the first day of the Flexible Rate Period for that Note	On any Business Day between 1:00 p.m. and 4:00 p.m. immediately preceding Date of Rate.	Tuesday or next Business Day of week preceding Effective Date of Rate
Effective Date of Rate; Flexible Rate Period/Rate Period	For each Note, first day of Flexible Rate Period for that Note; for each Note, Flexible Rate effective for designated pricing term for that Note (not to exceed 180 days) ending on a Business Day	Next Business Day following each Rate Determination Date; Daily Rate effective for one Business Day and for each Business Day thereafter until reset by Remarketing Agent	Wednesday of week following each Rate Determination Date; Weekly Rate effective through Tuesday of next week
Written Notice of Rate	To owner upon purchase by confirmation mailed by Remarketing Agent	Paying Agent/Registrar to mail owner monthly confirmation statement within 7 Business Days after Interest Payment Date	Paying Agent/Registrar to mail owner monthly confirmation statement within 7 Business Days after Interest Payment Date
Optional Tender Dates; Owner's Notice of Optional Tender	None; None	Any Business Day; Telephonic notice by owner to Paying Agent/Registrar and Remarketing Agent on or prior to 11:00 a.m. on such Business Day	Any Business Day; Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date
Physical Delivery of and Payment for Bonds Subject to Optional and Mandatory Tender	To Paying Agent/Registrar by 3:00 p.m. on designated tender date for each Note, payment same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date; payment by 3:00 p.m. same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date, payment by 3:00 p.m. same day
Written Notice of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change; no notice given if Flexible Rates continue	If change to Weekly Rate, Paying Agent/Registrar to mail owners notice at least 15 days prior to effective date of Rate Mode Change. If change to Flexible, Monthly or longer Rate, Paying Agent/Registrar to mail owners notice at least 30 days prior to effective date of Rate Mode Change	If change to Daily Rate, Paying Agent/Registrar to mail owners notice at least 15 days prior to effective date of Rate Mode Change. If change to Flexible, Monthly or longer Rate, Paying Agent/Registrar to mail owners notice at least 30 days prior to effective date of Rate Mode Change
Mandatory Tender Date Upon Rate Mode Change or Upon Flexible Rate Period Change	For each Note, last day of Flexible Rate Period for that Bond	Effective date of Rate Mode Change, except no mandatory tender on change to Weekly Rate	Effective date of Rate Mode Change, except no mandatory tender on change to Daily Rate
Owner's Election to Retain Bonds Upon Rate Mode Change When Converting to Designated Rate or Upon Flexible Rate Period Change	While in Flexible Rate Mode: Owner may elect to retain investment in a Note upon notice to Remarketing Agent not later than 3:00 p.m. on Business Day before Note is subject to mandatory tender. Change from Variable Rate: Upon written notice to Paying Agent/Registrar delivered at least 3 Business Days prior to Effective Date of Rate	Change from Weekly Rate: No prior election necessary for owner to retain Notes. Change from Monthly or longer Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 15 days prior to Effective Date of Rate. Change from Flexible Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 7 days prior to Effective Date of Rate	Change from Daily Rate: No prior election necessary for owner to retain Notes. Change from Monthly or longer Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 15 days prior to Effective Date of Rate. Change from Flexible Rate: Owner may elect to retain Notes upon written notice to Paying Agent/Registrar delivered on Business Day at least 7 days prior to Effective Date of Rate

Monthly Rate	Quarterly Rate	Semiannual Rate	Term Rate
First Business Day of each calendar month	First Business Day of third calendar month after Effective Date of Rate and first Business Day of every third month thereafter	First Business Day of sixth calendar month after Effective Date of Rate and first Business Day of every sixth month thereafter	First Business Day of sixth calendar month after Effective Date of Rate and first Business Day of every sixth month thereafter
Monthly Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Quarterly Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Semiannual Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate	Term Rate determined by 12:00 p.m. on Business Day preceding Effective Date of Rate
First Business Day of each calendar month: Monthly Rate effective until first Business Day of next calendar month	First Business Day of each Quarterly Rate Period: Quarterly Rate effective until first Business Day of third calendar month thereafter	First calendar day of each Semiannual Rate Period: Semiannual Rate effective until first day of sixth calendar month thereafter	First calendar day of each Term Rate Period: Term Rate effective until designated anniversary (one or more whole years) of Effective Date of Rate
Paying Agent/Registrar to mail owner notice of Monthly Rate within 7 Business Days after Rate Determination Date	Paying Agent/Registrar to mail owner notice of Quarterly Rate promptly after Rate Determination Dates	Paying Agent/Registrar to mail owner notice of Semiannual Rate promptly after Rate Determination Dates	Paying Agent/Registrar to mail owner notice of Term Rate promptly after Rate Determination Dates
Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 3 Business Days prior to optional tender date	Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date	Any Interest Payment Date: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date	First day of next Rate Period: Written notice by owner to Paying Agent/Registrar on or prior to 5:00 p.m. on any Business Day at least 7 days prior to optional tender date
To Paying Agent/Registrar by 1:00 p.m. on designated tender date: payment by 3:00 p.m. same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date: payment by 3:00 p.m. same day	To Paying Agent/Registrar by 1:00 p.m. on designated tender date: payment by 3:00 p.m. on designated tender date	To Paying Agent/Registrar by 1:00 p.m. on designated tender date: payment by 3:00 p.m. on designated tender date
Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change	Paying Agent/Registrar to mail notice to owners at least 30 days prior to effective date of Rate Mode Change
Effective date of Rate Mode Change	Effective date of Rate Mode Change	Effective date of Rate Mode Change	Effective date of Rate Mode Change
Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 7 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 13 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 15 days prior to Effective Date of Rate	Change from any mode: Owner may elect to retain Notes upon written notice delivered to Paying Agent/Registrar on Business Day at least 15 days prior to Effective Date of Rate

Conversion to a Fixed Rate

The Resolution provides that the Board has the right to convert the interest rate on the Notes to a Fixed Rate (i) on any date on which interest is payable on all Notes bearing interest at Flexible Rates, or (ii) on any date on which interest is payable while the Notes bear interest at a Daily, Weekly, Monthly, Quarterly, Semiannual or Term Rate. To exercise its option, the Authorized Representative must deliver to the Paying Agent/Registrar, the Remarketing Agent and the Bank, written notice at least 45 days prior to the interest payment date on which the Fixed Rate is to become effective (the "Fixed Rate Conversion Date"). In addition, the Board must deliver to the Paying Agent/Registrar prior to the Fixed Rate Conversion Date an opinion of nationally recognized bond counsel to the effect that the conversion to the Fixed Rate is authorized under the provisions of the Resolution and will not adversely affect the exemption of interest on the Notes from federal income taxation.

The Paying Agent/Registrar shall give notice by mail to all registered owners of the conversion to a Fixed Rate no less than 30 days prior to the Fixed Rate Conversion Date. Such notice shall specify the Fixed Rate Conversion Date, the dates by which the Authorized Representative will determine and the Paying Agent/Registrar will notify the registered owners of the Fixed Rate and shall state that the Notes shall be subject to mandatory tender for purchase on the Fixed Rate Conversion Date unless the registered owner elects to retain his Notes.

On or before 12:00 p.m. New York City time on the Business Day preceding the Fixed Rate Conversion Date, the Authorized Representative shall determine the Fixed Rate, and shall give notice thereof to the Paying Agent. The Paying Agent shall then give notice of such Fixed Rate by first class mail to the Remarketing Agent, the Bank and the registered owners of the Notes.

After the Fixed Rate Conversion Date, the registered owners of the Fixed Rate Notes shall have no right to tender their Notes for purchase.

Remarketing and Purchase

In the event that notice is received of any optional tender, or if the Notes become subject to mandatory tender, the Remarketing Agent shall use its best efforts to sell such Notes at a price of 100% of the principal amount thereof plus accrued interest, if any, on the forthcoming optional or mandatory tender date.

Notes tendered for purchase shall be paid by the Paying Agent/Registrar first from moneys derived from the remarketing of such Notes by the Remarketing Agent, second moneys made available by the Board, third from advances made under the Agreement. If sufficient funds are not available for the purchase of all tendered Variable Rate Notes, no purchase shall be consummated.

Optional Redemption

During any Flexible, Daily, Weekly, Monthly, Quarterly or Semiannual Rate Period, the Notes are subject to redemption by the Board, on any interest payment date, in whole or in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date. While the Notes bear interest at a Term Rate and after conversion to a Fixed Rate, the Notes are subject to redemption by the Board, in whole or in part, on the dates and at the redemption prices determined by an Authorized Representative.

SECURITY FOR THE NOTES

Pledge Under the Resolution

Pursuant to constitutional authority, the Resolution provides that the Notes and the interest thereon are equally and ratably secured by and payable from a lien on and pledge of the Interest of the University in the Available University Fund, subject and subordinate to the lien and pledge of the

Interest of the University in the Available University Fund to the Fund Priority Obligations heretofore or hereafter issued. Additionally, the Board in the Resolution has reserved the right to issue obligations with a superior, parity, or inferior lien and pledge of the Interest of the University in the Available University Fund subject to the constitutional limitation that the aggregate amount of bonds and notes payable from the Interest of the University in the Available University Fund cannot at the time of issuance exceed 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. See "Constitutional Debt Power, Debt Limitations." The Board currently has outstanding \$345,970,000 of Fund Priority Obligations.

Covenant to Maintain a Credit Facility

The Board has covenanted that at all times prior to the Fixed Rate Conversion Date it will maintain credit facilities with banks in amounts such that, assuming that all then outstanding Notes were to become due and payable immediately, the amount available for borrowing under the credit facilities would be sufficient at that time to pay the principal of all Notes and 214 days interest on the Notes calculated at 15%. No Note shall be issued prior to the Fixed Rate Conversion Date which if, after giving effect to the issuance thereof and, if applicable, the immediate application of the proceeds thereof to retire other Notes covered by the credit facility, the aggregate principal amount of all Notes covered by the credit facility would exceed the amount of the credit commitment under the credit facility. The availability for borrowing of such amounts under the credit facilities may be subject to reasonable conditions precedent, including but not limited to, bankruptcy of the Board.

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

Creation of Funds and Accounts

The Resolution creates and establishes with the Paying Agent/Registrar a separate and special fund designated as the "Board of Regents of The University of Texas System Series A Note Payment Fund" (the "Series A Note Payment Fund"). All amounts required to be deposited by the Board pursuant to the Resolution shall be deposited to the Series A Note Payment Fund and shall be used to pay principal of, premium, if any, and interest on Notes at the respective interest payment, maturity, redemption or purchase dates of each issue of such Notes as provided herein, including the repayment of any amounts owed with respect to the Revolving Note in evidence of Advances under the Agreement; amounts remaining in the Series A Note Payment Fund not then necessary for the purposes thereof may be transferred to the Series A Note Construction Account upon request of an Authorized Representative.

Additionally, all Advances under the Agreement shall be deposited into the Series A Note Payment Fund and used to pay the principal of, premium, if any, and interest on the Notes.

The Notes represent obligations which are subordinate to the Fund Priority Obligations. The resolution authorizing the Fund Priority Obligations has established in the Treasury of the State of Texas a fund known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (the "Interest and Sinking Fund"). The Fund Priority Obligations are payable from moneys required to be transferred to the Interest and Sinking Fund. After provision has been made for the payment of the principal of and interest on the Fund Priority Obligations, the balance of the Interest of the University of Texas System in the Available University Fund shall be made available to the Board to deposit into the Series A Note Payment Fund such amounts as are necessary to pay the interest on and/or the principal and premium, if any, of the Notes to the extent not paid from the proceeds of Notes, Short Term Obligations, Fund Priority Obligations,

or other obligations of the Board issued under the Constitutional Amendment, or from the proceeds of Advances under the Agreement. After provision has been made for the payment of the interest and premium on and/or principal of the Notes, the balance of the Interest of the University of Texas System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it may lawfully direct.

To the end that money will be available at the Paying Agent/Registrar in ample time to pay the principal of and interest and any premium on the Notes as such principal and interest and any premium respectively come due, an Authorized Representative or such other designated officer or employee of the Board, shall perform the following duties:

(1) Concurrently with the issuance of the Notes — the Resolution establishes in the Treasury of the State of Texas the "Special System Account." If there is on account in the Special System Account from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of the Notes as the same come due and mature or are required to be purchased, and to pay such fees and expenses of the Bank and the Remarketing Agent, an Authorized Representative or such other designated officer or employee shall transfer from such account to the Paying Agent/Registrar for deposit in the Series A Note Payment Fund monies sufficient to pay such amounts, and thereafter shall direct the Comptroller of Public Accounts of the State of Texas to restore the Special System Account to an amount equal to the amount such official estimates will be necessary, from the Interest of the University of Texas System in the Available University Fund, to pay said interest and any premium on and/or principal of the Notes, including the purchase price thereof.

(2) If it is anticipated that there shall not be on account in the Series A Note Payment Fund, from the Interest of the University in the Available University Fund, monies sufficient to pay the interest on and/or principal of the Notes as the same are due, an Authorized Representative or such other designated officer or employee shall implement the procedures necessary to cause the Comptroller of Public Accounts to withdraw from the Interest and Sinking Fund the amount of such interest and/or principal and any premium which will become due on the scheduled payment date and deposit said amount in the Series A Note Payment Fund or, if such deposit cannot be made within the time required, to make an Advance in such amount.

Available University Fund

The Available University Fund consists of the dividends, interest and other income of the Permanent University Fund (less expenses attributable to the administration of the Permanent University Fund), including income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such income is received, the Comptroller of Public Accounts of the State of Texas credits the receipts to the Available University Fund and the moneys are deposited by the State Treasurer among the other funds of the State of Texas.

Two-thirds of the amounts attributable to the Available University Fund, after deducting administrative expenses, are constitutionally appropriated to the System, to be used for constitutionally prescribed purposes, and is defined in and for all purposes of the Resolution as the "Interest of The University in the Available University Fund." The remaining one-third of the amounts attributable to the Available University Fund, after deducting such expenses, is constitutionally appropriated to The Texas A&M University System.

Moneys credited to the Available University Fund are administered by the State Treasurer and are, along with other funds of the State, invested in secured, interest bearing investments. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the System's share of the Available University Fund.

TABLE II
 PROJECTED COVERAGE OF ESTIMATED DEBT SERVICE ON THE OUTSTANDING FUND PRIORITY
 OBLIGATIONS AND THE NOTES BONDS

Fiscal Year Ending August 31.	Total Income Available for Debt Service (1)	Outstanding Fund Priority Obligations			Annual Debt Service	Coverage (3)
		Principle Debt Service	Interest Debt Service	Estimated Debt Service on the Notes		
1986	\$139,800,000	\$ 5,925,000	\$20,578,105	7,500,000	\$34,105,106	4.11x
1987	144,800,000	12,625,000	28,626,898	7,500,000	48,751,898	2.97x
1988	153,000,000	10,320,000	27,900,960	7,500,000	45,720,960	3.35x
1989	161,000,000	8,895,000	27,255,960	7,500,000	43,650,960	3.69x
1990	169,000,000	7,420,000	26,659,995	7,500,000	41,579,995	4.06x
1991	169,000,000	7,920,000	26,140,595	7,500,000	41,560,595	4.07x
1992	169,000,000	8,475,000	25,562,435	7,500,000	41,537,435	4.07x
1993	169,000,000	9,095,000	24,918,335	7,500,000	41,513,335	4.07x
1994	169,000,000	9,775,000	24,213,473	7,500,000	41,488,473	4.07x
1995	169,000,000	10,520,000	23,441,248	7,500,000	41,461,248	4.08x
1996	169,000,000	11,330,000	22,594,388	7,500,000	41,424,388	4.08x
1997	169,000,000	12,220,000	21,665,328	7,500,000	41,385,328	4.08x
1998	169,000,000	13,215,000	20,638,848	7,500,000	41,353,848	4.09x
1999	169,000,000	14,315,000	19,508,965	7,500,000	41,323,965	4.09x
2000	169,000,000	15,515,000	18,263,560	7,500,000	41,278,560	4.09x
2001	169,000,000	24,815,000	16,898,240	7,500,000	49,213,240	3.43x
2002	169,000,000	33,395,000	14,689,705	7,500,000	55,584,705	3.04x
2003	169,000,000	36,325,000	11,717,550	7,500,000	55,542,550	3.04x
2004	169,000,000	44,925,000	8,448,300	7,500,000	60,873,300	2.78x
2005	169,000,000	48,945,000	4,405,050	7,500,000	60,850,050	2.78x

- (1) The total income available for debt service are estimates prepared under the direction of the Administration of the System based on investment forecast and assumptions believed to be reasonable estimates and with respect to fiscal years 1990 and thereafter are repeated. However, no assurance can be or is given that the estimates will not materially differ from actual results in the future.
- (2) For illustration purposes assumes issuance of \$100,000,000 of Notes at an average annual effective interest rate of 7.5%.
- (3) Represents Total Income Available for Debt Service divided by Total Debt Service.

Constitutional Debt Power, Debt Limitations

The discretion to direct the use of the Interest of The University of Texas System in the Available University Fund, after expenses, for constitutionally authorized purposes is vested in the Board. The discretion to direct the use of the one-third interest of The Texas A&M University System in the Available University Fund, after expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b), the Texas Constitution, authorizes the Board to issue bonds and notes, payable from all or any part of its Interest in the Available University Fund for the purpose of (a) acquiring land with or without permanent improvements, (b) constructing and equipping buildings or other permanent improvements, (c) making major repairs and rehabilitations of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and

(e) refunding bonds or notes issued under said section or prior law at or for System administration and the component institutions of the System. The pledge and security created and granted in the Resolution is accomplished pursuant to the Constitutional Provision.

The Constitutional Provision limits the aggregate amount of bonds and notes (which are payable from the Board's share of the Available University Fund) that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. As of August 31, 1985, the cost value of the Permanent University Fund, exclusive of real estate, was \$2,316,874,000. Accordingly, as of this date, after the issuance of \$100,000,000 of Notes, the Board will be authorized to issue an additional \$17,404,800 of bonds or notes payable from its interest in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

The Constitutional Provision grants similar authority to the Texas A&M University System to issue bonds and notes for the purposes of that system, except that (a) such bonds and notes may be made payable only from and secured only by that system's one-third interest in the Available University Fund, and (b) the aggregate amount of bonds and notes which may be issued by that system is limited to 10% of the cost value of the investments and assets of the Permanent University Fund, exclusive of real estate, at the time of issuance.

Future Financings

The Constitutional Provision provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the Texas Legislature, and except in cases of fire or natural disaster, member institutions of the System may not receive any funds from the general revenues of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repairs or rehabilitations of buildings or other permanent improvements. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. While the Board has no present intention to issue any additional Fund Priority Obligations or Notes during the remainder of 1985 and early 1986, the Board reserves the right to do so.

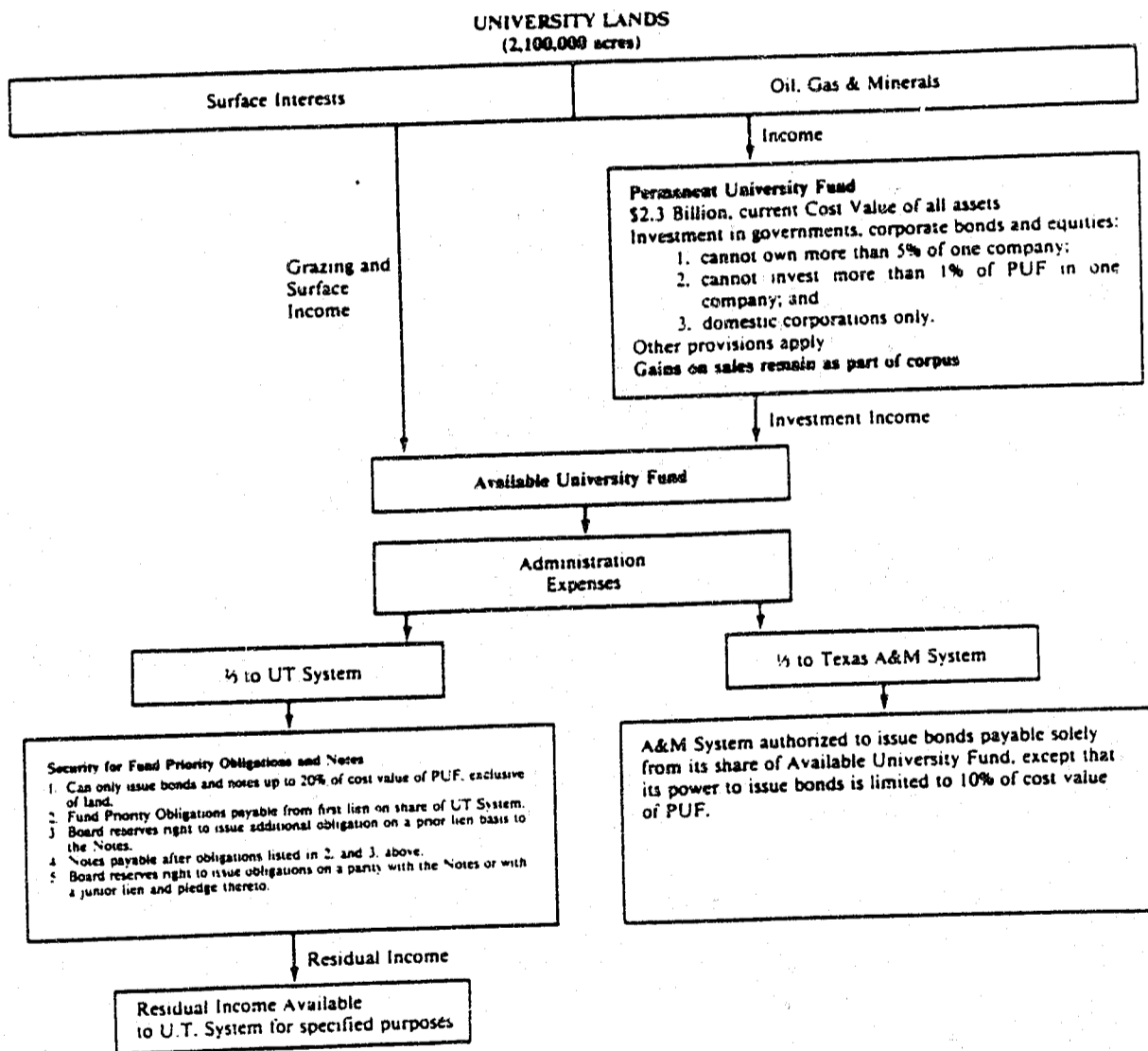
Residual Funds After Payment of Bonds

After the payment of annual debt service on the Fund Priority Obligations and after payment of the Notes and any other subordinate lien obligations, constitutional provisions appropriate the remaining amount attributable to the Interest of the University in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to Prairie View A&M University, and (b) the balance to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

PERMANENT UNIVERSITY FUND

Introduction

The Permanent University Fund is a constitutional fund, created in the Texas Constitution of 1876. The assets and earnings of the Permanent University Fund are dedicated to the uses and purposes of The University of Texas System and The Texas A&M University System. See "Security for the Bonds — Available University Fund." A graphic summary and analysis of the relationship among the Permanent University Fund, the System and The Texas A&M University System follows. Said summary and analysis is qualified in its entirety by reference to the full text of this Official Statement and to the documents, laws and constitutional provisions referred to herein.



As interpreted by the Supreme Court and by the Attorney General of Texas, the Permanent University Fund must be forever kept intact, and the proceeds from oil, gas, sulphur and water

royalties, together with all gains on investments, all rentals on mineral leases, all lease bonuses and all amounts received from the sale of land must be added to the corpus of such Fund.

Table III contains a statement of the annual growth in the Permanent University Fund (additions from income and gains required to become a part of the corpus) through fiscal year 1985.

TABLE III
PERMANENT UNIVERSITY FUND
 (Annual Fund Growth — 000 omitted)

Fiscal Year Ending August 31	Oil, Gas & Sulphur Royalties	Mineral Lease Bonuses	Other Sources	Total Additions
Prior to September 1, 1973	\$ 391,834	\$226,445	\$ 51,076	\$ 669,355
1974	31,541	12,542	846	44,929
1975	58,512	8,266	710	67,488
1976	70,123	15,379	(12,676)	72,826
1977	76,598	13,862	1,012	91,472
1978	76,845	18,573	1,832	97,250
1979	76,637	10,818	3,043	90,498
1980	119,356	253	3,041	122,650
1981	160,285	98,282	4,316	262,883
1982	178,286	20,221	7,886	206,393
1983	154,702	742	21,431	176,875
1984	145,186	7,254	27,462	179,902
1985	135,422	244	98,687	234,353
Totals	<u>\$1,675,327</u>	<u>\$432,881</u>	<u>\$208,666</u>	<u>\$2,316,874</u>

Assets

In the early years of the Permanent University Fund, approximately 2,000,000 acres of land, located principally in nineteen West Texas Counties, were granted as the permanent initial endowment of the Permanent University Fund. No land has been sold and, as of this date, land holdings of the Permanent University Fund total approximately 2,100,000 acres.

Table IV lists, as of August 31, 1985, the distribution and book value of the assets of the Permanent University Fund, with land being carried at nominal value.

TABLE IV
ASSETS OF THE PERMANENT UNIVERSITY FUND
 (As of August 31, 1985)

	Book Value
Cash	\$ 15,902,215
Commercial Paper	232,186,514
U.S. Treasury and Agency Securities	718,626,851
FHA Real Estate Mortgages	5,007,273
Corporate Bonds	712,468,087
Common Stocks	624,422,639
Convertible Preferred Stock	2,501,625
Preferred Stock	5,759,500
Land(1)	10,027,384
Total	<u>\$2,326,902,088</u>

(1) Land value is reported on the basis of nominal value.

Investment Responsibility

The responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs seven investment counseling firms to provide professional guidance in optimizing investment performance while complying with legal limitations and policy guidelines. The Board for Lease of University Lands, composed of representatives of the System, The Texas A&M University System and the State Land Commissioner, is responsible for developing and approving oil, gas and other mineral leases.

The Board additionally appoints a six-member Investment Advisory Committee of citizen members whose particular qualifications and experience qualify them in the opinion of the Board to advise the Board and the Administration of the System with respect to investment policy, planning and performance evaluations.

The principal administrative officer responsible for the management of the Permanent University Fund is the Executive Vice Chancellor for Asset Management. He is supported by a staff of more than 100 employees, consisting of analysts, accountants, geologists and other support personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines.

The Texas Education Code additionally requires the Board to employ a well recognized performance measurement service to evaluate and analyze the investment results of the Permanent University Fund with other public and private funds having similar objectives.

Eligible Investments and Standards

Under current provisions of the Texas Constitution, the Board is authorized to invest the Permanent University Fund in securities, bonds or other obligations issued, insured or guaranteed in any manner by the United States Government or any of its agencies, and in such bonds, debentures or obligations, and preferred and common stocks issued by corporations, associations or other institutions as the Board deems to be proper investments; provided, however, that no more than one percent of the Permanent University Fund may be invested in the securities of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; provided, further, that stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors.

In addition to constitutional restrictions, Board rules provide that (a) corporate bonds and preferred stocks must be rated "Baa," "BBB," or higher, or if not rated, must in the opinion of the Board's investment staff be of at least equal quality to such ratings; and (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation.

The Resolution requires the Board to maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law. In making each and all investments, the Texas Constitution requires the Board to exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

To the best knowledge and belief of the Board, the Board's investments, practices and policies are in full compliance with the requirements of the Texas Constitution and the Resolution.

In accordance with state law, the books, records and accounts of the Permanent University Fund and the Available University Fund, as well as the other books, records and accounts of the System, are conducted by the State Auditor, an officer of the State of Texas. Due to the number of state agencies and departments audited, significant delays in receiving audits are sometimes encountered.

THE AGREEMENT AND REVOLVING NOTE

The Resolution authorizes the execution of a Credit Agreement (the "Agreement"), dated as of December 1, 1985, among the Board, MBank Dallas, N.A. (the "Bank") and MBank Austin, N.A. (the "Agent"), whereunder the Bank agrees to lend the Board from time to time amounts up to, but not to exceed the "Bank Loan Commitment", such amounts are referred to in the Agreement as "Advances". The Bank Loan Commitment initially shall be \$109,000,000.

Advances made under the Agreement shall be made in such amount as may be requested by an Authorized Representative to refund amounts due or to come due under one or more Notes, including any amounts payable as a result of the exercise of any tender for purchase provision contained in the Notes.

The obligation of the Bank to make any Advance, when so requested by an Authorized Representative, is subject to receipt by the Agent or a "Notice of Advance" as required by the Agreement and to the satisfaction of the following further conditions:

(a) At the time the Advance is made, the Board shall not have commenced a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property, shall not have made a general assignment for the benefit of its creditors, shall not have declared a moratorium with respect to its debts, shall not have failed generally to pay its debts as they become due, and shall not have taken any action to authorize any of the foregoing; and

(b) At the time the Advance is made, no involuntary case or other proceeding shall have been commenced against the Board seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect and no trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property shall have been appointed.

In addition, the Bank shall have no obligation to make an Advance to the Board to pay the principal of or any interest on any Project Notes which were issued by the Board after receipt by the Paying Agent, the Dealer, and an Authorized Representative of a "Notice of Default" under the Agreement.

The Agreement sets forth the procedures by which the Bank shall transmit funds to the Paying Agent for the account of the holders of the Notes.

The obligation of the Board to repay the Bank the principal of, and all other amounts payable in respect of, the Advances shall be evidenced by a single revolving note (the "Revolving Note"), payable to the order of the Bank. Pursuant to the terms of the Resolution, the payment of the Revolving Note is secured by the Board in the same manner and on a parity with the Notes.

ABSENCE OF LITIGATION

The Board is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Board, would have a material adverse effect on the financial condition of the Board, the Permanent University Fund or the Interest of the University of Texas System in the Available University Fund, and no litigation of any nature has been filed, or to the Board's knowledge, threatened which seeks to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Notes.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Notes are subject to the unqualified approval of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton and Vinson & Elkins, Co-Bond Counsel to the Board, whose approving opinion will be printed on the Bonds. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firms have not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in their capacity as Co-Bond Counsel, such firms have reviewed the information relating to the Notes and the Resolution contained under the captions "THE NOTES," "SECURITY FOR THE NOTES" (except for information contained under the subheading "Income, Debt Service Requirements and Coverage," "Constitutional Debt Powers, Debt Limitations" and "Future Financings"), "TAX EXEMPTION" and "LEGAL INVESTMENTS IN TEXAS" in this Official Statement, and such firms are of the opinion that the information relating to the Notes and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Notes is contingent on the sale and delivery of the Notes.

TAX EXEMPTION

In the opinion of Co-Bond Counsel, interest on the Notes is exempt from all present federal income taxes under applicable statutes, published rulings, regulations and court decisions existing on the date of such opinion. The laws, regulations, court decisions and administrative regulations and published rulings upon which the conclusion stated in such opinion will be based are subject to change by the Congress, the Treasury Department and later judicial and administrative decisions.

LEGAL INVESTMENTS IN TEXAS

The Notes are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees, and for the sinking fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Notes are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the Board has been made of the laws in other states to determine whether the Notes are legal investments for various institutions in those states.

RATING

Rating application has been made to Standard & Poor's Corporation ("Standard & Poor's") for a rating on the Notes. An explanation of the significance of such rating may be obtained from Standard & Poor's. The ratings reflect only the views of such organizations at the time such ratings were given, and the Board makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such rating company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Notes.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, financial statements and other sources which are believed to be reliable. All of the summaries of the statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Michael E. Patrick,
*Executive Vice Chancellor for Asset
Management, The University of Texas System*

THE UNIVERSITY OF TEXAS SYSTEM

History, Administration, Sources of Funding

The University of Texas System commenced in 1883 with the opening of The University of Texas at Austin. Today, the System is one of the largest educational organizations in the United States and through its component institutions provides instruction, research and public service throughout the State.

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms. Administration of the University conforms to that of leading American universities. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, student tuitions and fees, its Interest in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources for the fiscal year ended August 31, 1985 is as follows:

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Endowment Income (Including Allocations from Available University Fund).....	3.9
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Total	<u>100.0%</u>

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Discussion of General Academic Institutions

The University of Texas at Arlington, which has the fifth largest university enrollment in the State of Texas, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 96 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, Engineering, and Business Administration; Graduate School of Social Work; Institute of Urban Studies, which is a statutory unit; School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

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the finest in the world. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

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The University of Texas at El Paso was established by the Legislature in 1913 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the System in 1919, changed to Texas Western College in 1949 and, since 1967, has been The University of Texas at El Paso. Both baccalaureate and graduate degrees are offered in more than 60 majors through six Colleges: Business Administration, Education, Engineering, Liberal Arts, Nursing and Allied Health Sciences, and Science, plus the Graduate School. The University is accredited through the doctoral level by the Southern Association of Colleges and Schools and offers a doctorate in Geological Sciences. The location on the Texas-Mexico border brings many students from Mexico to the campus.

The University of Texas of the Permian Basin in Odessa opened for classes in September 1973. As directed by the Texas Legislature in 1969, U.T. Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and masters degrees in 15 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experiential learning and open laboratory and art areas.

The University of Texas at San Antonio was authorized by the Texas Legislature in 1969. Graduate programs were initiated in leased facilities in June 1973; during the summer of 1975, the University moved to a 600-acre campus in northwest San Antonio. Junior and senior students were admitted in September 1975, and freshmen and sophomores were enrolled in the summer of 1976, when the first phase of campus construction was completed. The institution is a part of the Southwest Research Consortium.

The University of Texas at Tyler became a part of the System in 1979 by action of the Texas Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in the heart of East Texas midway between Dallas and Shreveport. The four schools within the university organization are: Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics. Current degree programs include 48 bachelor degrees in 33 academic areas and 15 masters degrees in nine fields.

The University of Texas Institute of Texan Cultures at San Antonio, founded as a world's fair exhibit for HemisFair '68, has grown into a statewide resource and information center concerned with the people and history of Texas. Visitors numbered more than 300,000 last year. The Institute is the learning and communication center for the history, culture and folklore of Texas. The exhibit floor containing displays, artifacts, historic photographs and vignettes on Texas history has been expanded to a teaching laboratory with 165 trained volunteers and staff members providing living history demonstrations of folk customs and crafts. The production staff serves museums across the state with design, photography and exhibit fabrication.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution consisting of the existing Southwestern Medical School, the Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was added to the System in 1949. More than \$68 million in buildings and facilities have been added in the last decade to enable the center to engage in significant programs of teaching, research and patient care. Southwestern Medical School now graduates over 200 physicians each year while the Graduate School of Biomedical Sciences and the School of Allied Health Sciences graduate a total of more than 180 health scientists and professionals.

The University of Texas Medical Branch at Galveston is the state's only multicategorical health referral center and serves as a major health resource and health referral center for much of the Southwest. The Medical Branch includes the oldest medical school in Texas, founded in 1891, and now has the 10th largest medical school in the United States. In addition, UTMB consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. UTMB has undergone rapid expansion in the past two decades and now includes some of the most sophisticated health care facilities in the nation. The Medical Branch employs approximately 7,400 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston, the largest of the health science universities in the System, consists of eight components, six of which are schools — the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 668 full-time and 138 part-time faculty in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing, Allied Health Sciences and Graduate Biomedical Sciences. Expanding programs both in research and instruction have allowed the institution to maintain its role as the heart of the South Texas Medical Center. The Health Science Center has earned a reputation as a first class research institution and is actively involved in its role as an educator of health professionals.

The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of that disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the Cancer Center also includes a 110-bed Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel and the 1,100-acre Science Park. Since the hospital opened in 1944, more than 165,000 persons with cancer have been treated there. At least 10,000 health professionals and scientists have received training at M. D. Anderson Hospital. Cancer Center researchers are involved in more than 525 scientific projects aimed at cancer control and prevention. The Science Park in Central Texas includes two divisions devoted to cancer research and veterinary resources.

The University of Texas Health Center at Tyler is the primary facility for patient care, education, and research in diseases of the chest. The institution became a part of the System on September 1, 1977, by action of the 65th Legislature. The Health Center's mission was expanded at that time to include its patient care facilities as a teaching hospital.

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APPENDIX B

FINANCIAL INFORMATION REGARDING THE SYSTEM

- (1) Condensed Statement of Assets and Net Worth**
- (2) Current Revenues, Expenditures and Mandatory Transfers**
- (3) Indebtedness Not Payable from Available University Fund**

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH(1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985(2)
ASSETS:					
Current Funds:					
General	\$ 148,292,519	\$ 156,153,972	\$ 227,027,921	\$ 247,981,349	\$ 268,600,000
Auxiliary Enterprises and Activities	41,086,421	49,707,283	54,386,358	69,045,826	75,000,000
Designated	170,250,925	217,800,724	268,112,875	258,443,462	279,900,000
Restricted	228,796,274	235,307,561	254,457,856	295,377,193	319,900,000
Total Current Funds	<u>588,426,139</u>	<u>658,969,540</u>	<u>303,985,010</u>	<u>870,847,830</u>	<u>943,400,000</u>
Loan Funds	<u>38,590,766</u>	<u>40,602,759</u>	<u>44,900,251</u>	<u>49,506,865</u>	<u>54,500,000</u>
Endowment and Similar Funds:					
State (Permanent University Fund)	1,529,378,125	1,735,771,704	1,912,646,657	2,092,548,880	2,326,900,000
Other than State	144,822,583	186,846,894	245,694,952	319,456,771	389,500,000
Total Endowment and Similar Funds	<u>1,674,200,708</u>	<u>1,922,618,598</u>	<u>2,158,341,609</u>	<u>2,412,005,651</u>	<u>2,716,400,000</u>
Annuity and Life Income Funds	4,015,977	4,270,404	4,386,988	4,226,482	4,600,000
Available University Fund	<u>47,068,980</u>	<u>59,393,741</u>	<u>59,206,856</u>	<u>72,965,475</u>	<u>69,000,000</u>
Plant Funds:					
Unexpended	270,703,051	278,900,348	267,487,890	297,931,609	326,200,000
Renewals and Replacements	6,734,106	8,516,618	7,120,412	7,709,931	8,300,000
Fund for Retirement of Indebtedness	89,173,578	93,410,709	95,856,259	110,710,094	111,900,000
Invested in Plant	1,951,020,466	2,125,924,201	2,294,183,734	2,507,801,796	2,746,000,000
Total Plant Funds	<u>2,317,631,201</u>	<u>2,506,751,876</u>	<u>2,664,648,295</u>	<u>2,924,153,430</u>	<u>3,192,400,000</u>
Agency Funds	29,503,453	35,083,786	37,333,713	44,697,696	50,800,000
DEDUCT: Interfund Group Accounts	73,261,894	90,698,279	68,935,844	82,075,062	90,700,000
GRAND TOTAL ASSETS	<u>4,626,175,330</u>	<u>5,136,992,425</u>	<u>5,703,866,878</u>	<u>6,296,328,367</u>	<u>6,940,400,000</u>
Less: Total Liabilities (not including orders and contracts)	<u>789,319,094</u>	<u>785,988,129</u>	<u>825,706,649</u>	<u>971,939,797</u>	<u>1,078,800,000</u>
FUND BALANCES (i.e., Net Worth)	<u><u>\$3,836,856,236</u></u>	<u><u>\$4,351,004,296</u></u>	<u><u>\$4,878,160,229</u></u>	<u><u>\$5,324,388,570</u></u>	<u><u>\$5,861,600,000</u></u>

(1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Preliminary; unaudited.

APPENDIX B(2)

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENDITURES AND MANDATORY TRANSFERS(1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985(2)
CURRENT REVENUES					
Tuition and Fees	\$ 55,256,693	\$ 59,036,224	\$ 61,934,707	\$ 64,924,284	\$ 68,000,000
Federal Funds	185,711,999	180,387,675	179,785,974	188,382,504	196,300,000
State Appropriations	672,548,506	819,657,916	921,708,827	943,976,556	966,600,000
Private Gifts	56,685,641	68,289,677	80,689,465	90,114,683	99,500,000
Endowment Income (Includes Transfers from Available University Fund)	28,870,244	40,625,397	52,391,655	68,204,235	75,800,000
Sales and Services of Auxiliary Enterprises	68,306,297	80,232,658	97,082,396	102,697,168	114,200,000
Sales and Services of Hospitals and Clinics, Professional Fees	198,496,158	248,670,301	278,501,338	285,632,549	293,100,000
Sales and Services of Educational Departments and Other Services	67,724,050	90,636,591	74,960,624	89,629,200	107,100,000
Total Current Revenues	<u>1,333,599,588</u>	<u>1,587,536,439</u>	<u>1,742,054,986</u>	<u>1,833,561,179</u>	<u>1,920,600,000</u>
CURRENT EXPENDITURES AND MANDATORY TRANSFERS					
Educational and General	1,144,811,625	1,340,635,540	1,498,598,949	1,625,843,582	1,705,400,000
Auxiliary Enterprises	83,192,241	95,195,123	104,758,914	116,490,743	122,000,000
Mandatory Transfers	26,690,578	26,059,335	38,760,677	54,047,509	56,600,000
Total Current Expenditures and Mandatory Transfers	<u>1,254,694,444</u>	<u>1,461,889,998</u>	<u>1,642,118,540</u>	<u>1,796,381,834</u>	<u>1,884,000,000</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 78,905,144</u>	<u>\$ 125,646,441</u>	<u>\$ 99,936,446</u>	<u>\$ 37,179,345</u>	<u>\$ 36,600,000</u>

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(2) Preliminary, unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
INDEBTEDNESS NOT PAYABLE FROM AVAILABLE UNIVERSITY FUND

	Original Amount Issued	August 31. 1985 Outstanding	Maximum P&I Requirements	I&S and Reserve Funds August 31. 1985
The University of Texas System General Tuition Revenue Bonds. Series 1971, 1972, 1972-A and 1978	\$149,280,000	\$111,165,000	\$11,023,374	\$15,782,695
The University of Texas at Austin Dormitory Revenue Bonds, Series 1954	3,402,000	1,295,000	155,850	525,228
Student Union Revenue Bonds, Series 1958-B	1,220,000	268,000	86,555	443,358
Housing System Revenue Bonds, Series 1967	16,500,000	12,600,000	895,690	1,857,758
Building Revenue Bonds, Series 1974 and 1978(1)	59,310,000	47,705,000	4,221,548	12,912,972
Married Student Housing Revenue Bonds, Series 1971 and 1981	8,850,000	8,195,000	943,463	1,135,168
Combined Fee Revenue Bonds, Series 1971, 1972, 1973 and 1978(2)	80,710,000	63,490,000	5,696,573	7,562,350
Building Revenue Bonds, Series 1969 and 1983	54,000,000	48,435,000	5,024,595	8,611,384
Parking Facilities Revenue Bonds, Series 1984	3,000,000	3,000,000	376,424	376,649
The University of Texas at Arlington Student Center Fee Revenue Bonds, Series 1960	600,000	142,000	40,281	94,699
Gymnasium Fee Revenue Bonds, Series 1961	650,000	184,000	42,315	99,914
Housing System Refunding Revenue Bonds, Series 1963	1,806,000	746,000	203,350	136,761
Student Fee Revenue Bonds, Series 1964, 1966 and 1968	6,285,000	3,260,000	351,450	465,267
Combined Fee Revenue Bonds, Series 1971-A, 1973, 1973-A, 1974, 1978 and 1985	37,800,000	32,682,000	3,217,144	2,758,197
Apartment Revenue Bonds, Series 1978	1,500,000	1,215,000	134,063	295,610
9% Apartment Revenue Bonds, Series 1985	950,000	950,000	106,900	—
The University of Texas at El Paso Texas Western College Student Union Revenue Bonds, Series A&B of 1967	3,158,000	2,233,000	195,045	304,142
Building Revenue Bonds, Series 1969	8,500,000	6,995,000	567,480	1,048,436

	Original Amount Issued	August 31. 1985 Outstanding	Maximum P&I Requirements	I&S and Reserve Funds August 31. 1985
Combined Fee Revenue Bonds. Series 1970, 1971, 1973, 1974 and 1979	21,000,000	17,935,000	1,558,870	2,322,767
The University of Texas at Dallas Combined Fee Revenue Bonds. Series 1978	9,000,000	8,000,000	698,700	1,071,192
Utility Reserve Bonds, Series 1980	10,125,000	8,770,000	1,011,905	1,169,485
The University of Texas at Tyler Texas Eastern University Combined Fee Revenue Bonds. Series 1976	1,750,000	1,385,000	158,250	175,875
The University of Texas at San Antonio Combined Fee Revenue Bonds. Series 1980 and 1984	16,500,000	15,755,000	1,803,190	1,664,265
Utility Revenue Bonds, Series 1980	9,775,000	8,470,000	978,255	1,129,504
The University of Texas Health Science Center-Houston Housing System Revenue Bonds. Series 1981	14,700,000	13,540,000	1,832,488	2,421,889
Galveston Medical Branch: Endowment and Hospital Revenue Bonds, Series 1973	34,500,000	25,875,000	2,726,825	16,827,874
M.D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976	18,500,000	12,995,000	1,571,270	24,922,540
Hospital Revenue Bonds, Subordinate Lien, Series 1976	4,770,000	3,880,000	405,016	5,549,055

- (1) \$4,915,000 Building Revenue Bonds, Series 1974-A are outstanding but have been advance refunded and are fully defeased.
- (2) \$5,355,000 Combined Fee Revenue Bonds, Series 1974 are outstanding but have been advance refunded and are fully defeased.

THE UNIVERSITY OF TEXAS SYSTEM

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the finest in the world. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Balcones Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

The University of Texas at Dallas was established in 1969 as an upper-level institution and offers curricula leading to more than 50 degrees at the baccalaureate, master and doctoral levels. This University is structured to meet the needs of the community college graduate through its undergraduate programs and, at the same time, maintain high quality graduate programs and continue to attract one of the state's largest budgets for sponsored research activities. Those activities are enhanced by a campus of more than 600 acres. A graduate level school of engineering was recently approved for the University. The Callier Center for Communication Disorders, an internationally recognized teaching, research and treatment organization, is located near downtown Dallas. Several prominent education related agencies also are located on the campus, including Southwestern Legal Foundation and the Association for Higher Education of North Texas.

The University of Texas at El Paso was established by the Legislature in 1913 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the System in 1919, changed to Texas Western College in 1949 and, since 1967, has been The University of Texas at El Paso. Both baccalaureate and graduate degrees are offered in more than 60 majors through six Colleges: Business Administration, Education, Engineering, Liberal Arts, Nursing and Allied Health Sciences, and Science, plus the Graduate School. The University is accredited through the doctoral level by the Southern Association of Colleges and Schools and offers a doctorate in Geological Sciences. The location on the Texas-Mexico border brings many students from Mexico to the campus.

The University of Texas of the Permian Basin in Odessa opened for classes in September 1973. As directed by the Texas Legislature in 1969, U.T. Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and masters degrees in 15 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experiential learning and open laboratory and art areas.

The University of Texas at San Antonio was authorized by the Texas Legislature in 1969. Graduate programs were initiated in leased facilities in June 1973; during the summer of 1975, the University moved to a 600-acre campus in northwest San Antonio. Junior and senior students were admitted in September 1975, and freshmen and sophomores were enrolled in the summer of 1976, when the first phase of campus construction was completed. The institution is a part of the Southwest Research Consortium.

The University of Texas at Tyler became a part of the System in 1979 by action of the Texas Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in the heart of East Texas midway between Dallas and Shreveport. The four schools within the university organization are: Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics. Current degree programs include 48 bachelor degrees in 33 academic areas and 15 masters degrees in nine fields.

The University of Texas Institute of Texan Cultures at San Antonio, founded as a world's fair exhibit for HemisFair '68, has grown into a statewide resource and information center concerned with the people and history of Texas. Visitors numbered more than 300,000 last year. The Institute is the learning and communication center for the history, culture and folklore of Texas. The exhibit floor containing displays, artifacts, historic photographs and vignettes on Texas history has been expanded to a teaching laboratory with 165 trained volunteers and staff members providing living history demonstrations of folk customs and crafts. The production staff serves museums across the state with design, photography and exhibit fabrication.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution consisting of the existing Southwestern Medical School, the Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was added to the System in 1949. More than \$68 million in buildings and facilities have been added in the last decade to enable the center to engage in significant programs of teaching, research and patient care. Southwestern Medical School now graduates over 200 physicians each year while the Graduate School of Biomedical Sciences and the School of Allied Health Sciences graduate a total of more than 180 health scientists and professionals.

The University of Texas Medical Branch at Galveston is the state's only multicategorical health referral center and serves as a major health resource and health referral center for much of the Southwest. The Medical Branch includes the oldest medical school in Texas, founded in 1891, and now has the 10th largest medical school in the United States. In addition, UTMB consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. UTMB has undergone rapid expansion in the past two decades and now includes some of the most sophisticated health care facilities in the nation. The Medical Branch employs approximately 7,400 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston, the largest of the health science universities in the System, consists of eight components, six of which are schools — the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 668 full-time and 138 part-time faculty in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing, Allied Health Sciences and Graduate Biomedical Sciences. Expanding programs both in research and instruction have allowed the institution to maintain its role as the heart of the South Texas Medical Center. The Health Science Center has earned a reputation as a first class research institution and is actively involved in its role as an educator of health professionals.

The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of that disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the Cancer Center also includes a 110-bed Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel and the 1,100-acre Science Park. Since the hospital opened in 1944, more than 165,000 persons with cancer have been treated there. At least 10,000 health professionals and scientists have received training at M. D. Anderson Hospital. Cancer Center researchers are involved in more than 525 scientific projects aimed at cancer control and prevention. The Science Park in Central Texas includes two divisions devoted to cancer research and veterinary resources.

The University of Texas Health Center at Tyler is the primary facility for patient care, education, and research in diseases of the chest. The institution became a part of the System on September 1, 1977, by action of the 65th Legislature. The Health Center's mission was expanded at that time to include its patient care facilities as a teaching hospital.

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APPENDIX B

FINANCIAL INFORMATION REGARDING THE SYSTEM

- (1) Condensed Statement of Assets and Net Worth**
- (2) Current Revenues, Expenditures and Mandatory Transfers**
- (3) Indebtedness Not Payable from Available University Fund**

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH(1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985(2)
ASSETS:					
Current Funds:					
General	\$ 148,292,519	\$ 156,153,972	\$ 227,027,921	\$ 247,981,349	\$ 268,600,000
Auxiliary Enterprises and Activities	41,086,421	49,707,283	54,386,358	69,045,826	75,000,000
Designated	170,250,925	217,800,724	268,112,875	258,443,462	279,900,000
Restricted	228,796,274	235,307,561	254,457,856	295,377,193	319,900,000
Total Current Funds.....	588,426,139	658,969,540	803,985,010	870,847,830	943,400,000
Loan Funds	38,590,766	40,602,759	44,900,251	49,506,865	54,500,000
Endowment and Similar Funds:					
State (Permanent University Fund)	1,529,378,125	1,735,771,704	1,912,646,657	2,092,548,880	2,326,900,000
Other than State	144,822,583	186,846,894	245,694,952	319,456,771	389,500,000
Total Endowment and Similar Funds	1,674,200,708	1,922,618,598	2,158,341,609	2,412,005,651	2,716,400,000
Annuity and Life Income Funds	4,015,977	4,270,404	4,386,988	4,226,482	4,600,000
Available University Fund	47,068,980	59,393,741	59,206,856	72,965,475	69,000,000
Plant Funds:					
Unexpended	270,703,051	278,900,348	267,487,890	297,931,609	326,200,000
Renewals and Replacements	6,734,106	8,516,618	7,120,412	7,709,931	8,300,000
Fund for Retirement of Indebtedness	89,173,578	93,410,705	95,856,259	110,710,094	111,900,000
Invested in Plant	1,951,020,466	2,125,924,201	2,294,183,734	2,507,801,796	2,746,000,000
Total Plant Funds.....	2,317,631,201	2,506,751,876	2,664,648,295	2,924,153,430	3,192,400,000
Agency Funds	29,503,453	35,083,786	37,333,713	44,697,696	50,800,000
DEDUCT: Interfund Group Accounts	73,261,894	90,698,279	68,935,844	82,075,062	90,700,000
GRAND TOTAL ASSETS.....	4,626,175,330	5,136,992,425	5,703,866,878	6,296,328,367	6,940,400,000
Less: Total Liabilities (not including orders and contracts)	789,319,094	785,988,129	825,706,649	971,939,797	1,078,800,000
FUND BALANCES (i.e., Net Worth)	\$3,836,856,236	\$4,351,004,296	\$4,878,160,229	\$5,324,388,570	\$5,861,600,000

(1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Preliminary; unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENDITURES AND MANDATORY TRANSFERS(1)

	Fiscal Year Ended August 31.				
	1981	1982	1983	1984	1985(2)
CURRENT REVENUES					
Tuition and Fees	\$ 55,256,693	\$ 59,036,224	\$ 61,934,707	\$ 64,924,284	\$ 68,000,000
Federal Funds	185,711,999	180,387,675	179,785,974	188,382,504	196,300,000
State Appropriations	672,548,506	819,657,916	921,708,827	943,976,556	966,600,000
Private Gifts	56,685,641	68,289,677	80,689,465	90,114,683	99,500,000
Endowment Income (Includes Transfers from Available University Fund)	28,870,244	40,625,397	52,391,655	68,204,235	75,800,000
Sales and Services of Auxiliary Enterprises	68,306,297	80,232,658	92,082,396	102,697,168	114,200,000
Sales and Services of Hospitals and Clinics: Professional Fees	198,496,158	248,670,301	278,501,338	285,632,549	293,100,000
Sales and Services of Educational Departments and Other Services	67,724,050	90,636,591	74,960,624	89,629,200	107,100,000
Total Current Revenues	<u>1,333,599,588</u>	<u>1,587,536,439</u>	<u>1,742,054,986</u>	<u>1,833,561,179</u>	<u>1,920,600,000</u>
CURRENT EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General	1,144,811,625	1,340,635,540	1,498,598,949	1,625,843,582	1,705,400,000
Auxiliary Enterprises	83,192,241	95,195,123	104,758,914	116,490,743	122,000,000
Mandatory Transfers	26,690,578	26,059,335	38,760,677	54,047,509	56,600,000
Total Current Expenditures and Mandatory Transfers	<u>1,254,694,444</u>	<u>1,461,889,998</u>	<u>1,642,118,540</u>	<u>1,796,381,834</u>	<u>1,884,000,000</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 78,905,144</u>	<u>\$ 125,646,441</u>	<u>\$ 99,936,446</u>	<u>\$ 37,179,345</u>	<u>\$ 36,600,000</u>

(1) The University of Texas System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Preliminary; unaudited.

APPENDIX B(3)

THE UNIVERSITY OF TEXAS SYSTEM
INDEBTEDNESS NOT PAYABLE FROM AVAILABLE UNIVERSITY FUND

	Original Amount Issued	August 31. 1985 Outstanding	Maximum P&I Requirements	I&S and Reserve Funds August 31. 1985
The University of Texas System General Tuition Revenue Bonds. Series 1971, 1972, 1972-A and 1978	\$149,280,000	\$111,165,000	\$11,023,374	\$15,782,695
The University of Texas at Austin Dormitory Revenue Bonds, Series 1954	3,402,000	1,295,000	155,850	525,228
Student Union Revenue Bonds, Series 1958-B	1,220,000	268,000	86,555	443,358
Housing System Revenue Bonds, Series 1967	16,500,000	12,600,000	895,690	1,857,758
Building Revenue Bonds, Series 1974 and 1978(1)	59,310,000	47,705,000	4,221,548	12,912,972
Married Student Housing Revenue Bonds, Series 1971 and 1981	8,850,000	8,195,000	943,463	1,135,168
Combined Fee Revenue Bonds, Series 1971, 1972, 1973 and 1978(2)	80,710,000	63,490,000	5,696,573	7,562,350
Building Revenue Bonds, Series 1969 and 1983	54,000,000	48,435,000	5,024,595	8,611,384
Parking Facilities Revenue Bonds, Series 1984	3,000,000	3,000,000	376,424	376,649
The University of Texas at Arlington Student Center Fee Revenue Bonds, Series 1960	600,000	142,000	40,281	94,699
Gymnasium Fee Revenue Bonds, Series 1961	650,000	184,000	42,315	99,914
Housing System Refunding Revenue Bonds, Series 1963	1,806,000	746,000	203,350	136,761
Student Fee Revenue Bonds, Series 1964, 1966 and 1968	6,285,000	3,260,000	351,450	465,267
Combined Fee Revenue Bonds, Series 1971-A, 1973, 1973-A, 1974, 1978 and 1985	37,800,000	32,682,000	3,217,144	2,758,197
Apartment Revenue Bonds, Series 1978	1,500,000	1,215,000	134,063	295,610
9% Apartment Revenue Bonds, Series 1985	950,000	950,000	106,900	—
The University of Texas at El Paso Texas Western College Student Union Revenue Bonds, Series A&B of 1967	3,158,000	2,233,000	195,045	304,142
Building Revenue Bonds, Series 1969	8,500,000	6,995,000	567,480	1,048,436

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	<u>Original Amount Issued</u>	<u>August 31. 1985 Outstanding</u>	<u>Maximum P&I Requirements</u>	<u>I&S and Reserve Funds August 31. 1985</u>
Combined Fee Revenue Bonds. Series 1970, 1971, 1973, 1974 and 1979	21,000,000	17,935,000	1,558,870	2,322,767
The University of Texas at Dallas Combined Fee Revenue Bonds. Series 1978	9,000,000	8,000,000	698,700	1,071,192
Utility Reserve Bonds, Series 1980	10,125,000	8,770,000	1,011,905	1,169,485
The University of Texas at Tyler Texas Eastern University Combined Fee Revenue Bonds. Series 1976	1,750,000	1,385,000	158,250	175,875
The University of Texas at San Antonio Combined Fee Revenue Bonds. Series 1980 and 1984	16,500,000	15,755,000	1,803,190	1,664,265
Utility Revenue Bonds, Series 1980	9,775,000	8,470,000	978,255	1,129,504
The University of Texas Health Science Center-Houston Housing System Revenue Bonds. Series 1981	14,000,000	13,540,000	1,832,488	2,421,889
Galveston Medical Branch Endowment and Hospital Revenue Bonds, Series 1973	34,500,000	25,875,000	2,726,825	16,827,874
M.D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976	18,500,000	12,995,000	1,571,270	24,922,540
Hospital Revenue Bonds. Subordinate Lien, Series 1976	4,770,000	3,880,000	405,016	5,549,055

(1) \$4,915,000 Building Revenue Bonds, Series 1974-A are outstanding but have been advance refunded and are fully defeased.

(2) \$5,355,000 Combined Fee Revenue Bonds, Series 1974 are outstanding but have been advance refunded and are fully defeased.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:48 p.m., the Board recessed for the meetings of the Standing Committees and Chairman Hay 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 thereof are set forth on the following pages.

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 214 - 224).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Hay 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 - Common Trust Fund: Report on Negotiations of an Option to Purchase Real Estate and a Secured Loan on Real Estate Surrounded by the Brackenridge Tract Being a Tract of Land Out of the D. J. Gilbert 1/2 League (Lot A of Dale Baker Addition) in Austin, Travis County, Texas (Exec. Com. Letter 86-2).--Pursuant to authorization by the U. T. Board of Regents at the August 9, 1985 meeting, the Office of Asset Management and the Office of General Counsel have negotiated, with the concurrence of Regents Baldwin and Milburn, an option agreement to purchase real estate surrounded by the Brackenridge Tract being a tract of land out of the D. J. Gilbert 1/2 League (Lot A of Dale Baker Addition) in Austin, Travis County, Texas, in accordance with the parameters set out by the U. T. Board of Regents.

Under this option agreement, The University of Texas System has the right during the next five years to purchase a commercial office building and 48,426 square feet of land for \$10 million; in the sixth and seventh year, for \$11 million; and through the end of the tenth year the U. T. System has first right of refusal to purchase the property. In consideration of this option, a \$7 million secured loan will be extended by the Common Trust Fund to the current owners. The loan is fully secured by the property, has a term of ten years, and carries an interest rate of 10% payable monthly. Terms and covenants of the loan are consistent with existing commercial mortgage loan practices.

2. U. T. Arlington - E. H. Hereford University Center - Addition and Remodeling (Project No. 301-552): Award of Construction Contract to Cadenhead - Rangaire, Inc., Fort Worth, Texas, and Approval of Plaque Inscription (Exec. Com. Letter 86-3).--The Board, upon recommendation of the Executive Committee:
 - a. Awarded a construction contract for The University of Texas at Arlington E. H. Hereford University Center - Addition and Remodeling to the lowest responsible bidder, Cadenhead - Rangaire, Inc., Fort Worth, Texas, for the base bid in the amount of \$9,000,000
 - b. Approved the inscription set out on Page 215 for a plaque to be placed on the building. The inscription follows the standard pattern approved by the U. T. Board of Regents in June 1979.

E. H. HEREFORD UNIVERSITY CENTER
ADDITION AND REMODELING
1985

BOARD OF REGENTS

Jess Hay, Chairman	Hans Mark
Robert B. Baldwin III, Vice-Chairman	Chancellor, The
Shannon H. Ratliff, Vice-Chairman	University of Texas System
Jack S. Blanton	Wendell H. Nedderman
Janey Slaughter Briscoe	President, The University
(Mrs. Dolph)	of Texas at Arlington
Beryl Buckley Milburn	
Tom B. Rhodes	JPJ Architects, Inc.
Bill Roden	Project Architect
Mario Yzaguirre	Cadenhead - Rangaire, Inc.
	Contractor

It was reported that a separate bid for purchase and installation of bowling equipment will be advertised within approximately six months.

3. U. T. Austin: Acceptance of Gift of Land Located in Blocks 11, 13, 14 and 190 (Superior Dairies Property) of the Original City of Austin, Travis County, Texas, from Borden, Inc., Columbus, Ohio (Exec. Com. Letter 86-2).--At its August 1985 meeting, the U. T. Board of Regents authorized the Executive Committee to accept a gift of land from Borden, Inc. within the parameters outlined in Executive Session and upon approval of related documents by the Office of General Counsel and the Office of Asset Management.

Upon recommendation of the Executive Committee, the Board accepted a gift of land from Borden, Inc., Columbus, Ohio, of approximately 137,826 square feet located in Blocks 11, 13, 14 and 190 (Superior Dairies Property) of the City of Austin, Travis County, Texas, as shown on the map of the original city on file with the General Land Office of the State of Texas. The property is intended for the use and benefit of The University of Texas at Austin.

It was noted that Borden, Inc. requested a lease on the land conveyed for a period of at least three years until its new facilities are constructed. Borden, Inc. will pay the University \$205,000 per year and will pay all property taxes under the terms of the lease agreement. In this regard, the Board authorized the Executive Vice Chancellor for Asset Management to execute a ground lease on this property to Borden, Inc. upon approval of all documents by the Office of General Counsel.

4. U. T. Austin: Chemical and Petroleum Engineering Building (Project No. 102-452) - Report of Errors in Bids and Approval to Excuse Environ, Inc., Austin, Texas, from Its Bid on Base Proposal "H" (Petroleum Engineering Office Furniture), Southwest Office Interiors, Austin, Texas, from Its Bid on Base Proposal "H" (Petroleum Engineering Office Furniture), and Business Interiors, Arlington, Texas, from Its Bid on Base Proposal "I" (Steel Desks and Chairs); Award of Contracts for Furniture and Furnishings to Rockford Business Interiors, Austin, Texas; Southwest Office Interiors, Austin, Texas; Stewart Contract Interiors, Dallas, Texas; Environ, Inc., Austin, Texas; Labry Commercial Interiors, Inc., Austin, Texas; Lundia Division of MII, Inc., Jacksonville, Illinois; Kewaunee Scientific c/o P.A.C., Austin, Texas; American Desk Manufacturing Company - Taylor Division, Taylor, Texas; Business Interiors, Arlington, Texas; Pack-Mark Shipping Supplies, Inc., San Antonio, Texas; Interior Environments, Austin, Texas; and Sherrill Draperies, Inc., Austin, Texas, and Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-3). --In accordance with authorization of the U. T. Board of Regents in June 1983, bids were called for and were received, opened and tabulated on August 29, 1985, for furniture and furnishings for the Chemical and Petroleum Engineering Building at The University of Texas at Austin. In compliance therewith and upon recommendation of the Executive Committee, the Board:

- a. Excused Environ, Inc., Austin, Texas, from its bid on Base Proposal "H" (Petroleum Engineering Office Furniture), because of an error in the bid
- b. Excused Southwest Office Interiors, Austin, Texas, from its bid on Base Proposal "H" (Petroleum Engineering Office Furniture), because of an error in the bid
- c. Excused Business Interiors, Arlington, Texas, from its bid on Base Proposal "I" (Steel Desks and Chairs), because of an error in the bid
- d. Awarded contracts for furniture and furnishings for the Chemical and Petroleum Engineering Building at U. T. Austin to the following lowest responsible bidders:

Rockford Business Interiors
Austin, Texas

Base Proposal "A" (Bookcases)	\$ 55,868.17
Base Proposal "E" (Faculty Conference Room Furniture)	26,706.46
Base Proposal "H" (Petroleum Engineering Office Furniture)	38,547.00
Base Proposal "I" (Steel Desks and Chairs)	79,355.16

Base Proposal "K" (Conference Tables)	\$ 44,531.06
Base Proposal "S" (Benches)	<u>13,481.07</u>
Total Contract Award to Rockford Business Interiors	\$258,488.92
Southwest Office Interiors Austin, Texas	
Base Proposal "B" (Stacking Chairs)	\$ 10,755.00
Base Proposal "G" (Chemical Engineering Office Furniture)	126,146.00
Base Proposal "Q" (Reading Room Furniture)	<u>34,452.00</u>
Total Contract Award to Southwest Office Interiors	\$171,353.00
Stewart Contract Interiors Dallas, Texas	
Base Proposal "C" (Secretarial Chairs)	\$125,144.22
Environ, Inc. Austin, Texas	
Base Proposal "D" (Faculty Chairs)	\$ 44,500.84
Labry Commercial Interiors, Inc. Austin, Texas	
Base Proposal "F" (Visitor Seating)	\$ 11,318.81
Base Proposal "L" (Files)	<u>90,911.04</u>
Total Contract Award to Labry Commercial Interiors, Inc.	\$102,229.85
Lundia Division of MII, Inc. Jacksonville, Illinois	
Base Proposal "J" (Compact Shelving)	\$ 15,200.00
Kewaunee Scientific c/o P.A.C. Austin, Texas	
Base Proposal "M" (Laboratory Benches)	\$ 21,683.88
American Desk Manufacturing Company - Taylor Division, Taylor, Texas	
Base Proposal "N" (Laboratory Work Stations)	\$288,055.00

Business Interiors
Arlington, Texas

Base Proposal "O"
(Miscellaneous) \$ 159,148.37

Pack-Mark Shipping Supplies, Inc.
San Antonio, Texas

Base Proposal "P"
(Steel Storage Equipment) \$ 100,200.00

Interior Environments
Austin, Texas

Base Proposal "R"
(Waste Receptacles and
Coat Hooks) \$ 12,456.93

Sherrill Draperies, Inc.
Austin, Texas

Base Proposal "T"
(Draperies) \$ 2,850.00

GRAND TOTAL CONTRACT AWARDS \$1,301,311.01

- e. Authorized the Chancellor to sign the contracts awarding these bids based on the results of the Executive Committee circularization

5. U. T. Austin - Taylor Hall - Phase I Renovation (Project No. 102-537): Report of Errors in Bids and Approval to Excuse Clegg/Austin, Austin, Texas, from Its Bids on Base Proposal "C" (Office Visitor Chairs) and Base Proposal "H" (Secretary Chairs); Award of Contracts for Furniture and Furnishings to Southwest Office Interiors, Inc., Austin, Texas; Rockford Business Interiors, Inc., Austin, Texas; Business Products & Services, Inc., El Paso, Texas; Disco Print Company, Houston, Texas; Evans-Monical, Inc., Houston, Texas; H. McCoy, Inc., San Antonio, Texas; and Interior Environments, Austin, Texas, and Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-3).--In accordance with authorization of the U. T. Board of Regents in August 1984, bids were called for and were received, opened and tabulated on September 6, 1985, for furniture and furnishings for Taylor Hall - Phase I Renovation at The University of Texas at Austin. In compliance therewith, the Executive Committee recommended and the Board:

- a. Excused Clegg/Austin, Austin, Texas, from its bids on Base Proposal "C" (Office Visitor Chairs) and Base Proposal "H" (Secretary Chairs), because of an error in both bids
- b. Awarded contracts for furniture and furnishings for the Taylor Hall - Phase I Renovation at U. T. Austin to the lowest responsible bidders set out on Page 219

Southwest Office Interiors, Inc.
Austin, Texas

Base Proposal "A" (Steel Office Furniture)	\$ 64,069.00
Base Proposal "B" (Stacking Chairs)	8,282.00
Base Proposal "D" (Computer Tables)	37,149.00
Base Proposal "K" (Study Tables)	<u>9,098.00</u>

Total Contract Award to
Southwest Office Interiors, Inc. \$118,598.00

Rockford Business Interiors, Inc.
Austin, Texas

Base Proposal "C" (Office Visitor Chairs)	\$ 18,720.22
Base Proposal "G" (Wood Casework)	<u>9,079.12</u>

Total Contract Award to
Rockford Business Interiors \$ 27,799.34

Business Products & Services, Inc.
El Paso, Texas

Base Proposal "E" (Office Desks)	\$ 62,150.00
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Disco Print Company
Houston, Texas

Base Proposal "F" (Bookcases)	\$ 26,787.00
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Evans-Monical, Inc.
Houston, Texas

Base Proposal "H" (Secretary Chairs)	\$ 45,968.30
Base Proposal "J" (Conference Room Furniture)	<u>11,722.33</u>

Total Contract Award to
Evans-Monical, Inc. \$ 57,690.63

H. McCoy, Inc.
San Antonio, Texas

Base Proposal "I" (Laboratory Dividers)	\$ 40,495.54
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Interior Environments
Austin, Texas

Base Proposal "L" (Miscellaneous Furnishings)	<u>\$ 18,383.99</u>
--	---------------------

GRAND TOTAL CONTRACT AWARDS \$351,904.50

Further, the Chancellor was authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

6. U. T. Austin: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-4).--The Executive Committee recommended and the Board approved the following salary increases at The University of Texas at Austin:

Measurement and Evaluation Center

Increased the annual rate of Assistant Director Barbara G. Dodd from \$27,756 to \$33,804 effective September 1, 1985.

Source of Funds:

State: \$ 33,804 Departmental Classified Salaries

(RBC #165)

McDonald Observatory

Increased the annual rate of Research Scientist Peter J. Shelus from \$45,500 to \$52,000 effective September 1, 1985.

Source of Funds:

Other: \$ 52,000 Federal Contracts

(RBC #222)

7. U. T. Health Science Center - Dallas: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-4).--Upon recommendation of the Executive Committee, the Board approved the following salary increases at The University of Texas Health Science Center at Dallas:

Internal Medicine

Increased the total compensation of Assistant Professor Michael D. Winniford (Nontenure) from \$72,400 to \$80,400 effective October 1, 1985.

Source of Funds:

State:	\$43,800	Departmental Faculty Salaries
Other:	18,000	National Institutes of Health Grant
	\$61,800	Total Salary
Augmentation:	18,600	MSRDP Fund
	<u>\$80,400</u>	<u>Total Compensation</u>

(RBC #111)

Increased the total compensation of Associate Professor L. Hillis (Nontenure) from \$94,500 to \$104,500 effective October 1, 1985.

Source of Funds:

State:	\$ 58,500	Departmental Faculty Salaries
Other:	<u>36,000</u>	National Institutes of Health Grant
	\$ 94,500	Total Salary
Augmentation:	<u>10,000</u>	MSRDP Fund
	<u>\$104,500</u>	Total Compensation

(RBC #113)

Increased the total compensation of Assistant Professor Anne L. Taylor (Nontenure) from \$61,800 to \$73,800 effective October 1, 1985.

Source of Funds:

State:	\$18,200	Departmental Faculty Salaries
Other:	<u>43,600</u>	National Institutes of Health Grant
	\$61,800	Total Salary
Augmentation:	<u>12,000</u>	MSRDP Fund
	<u>\$73,800</u>	Total Compensation

(RBC #110)

Increased the total compensation of Research Assistant Professor George C. Haidet (Nontenure) from \$59,700 to \$69,700 effective October 1, 1985.

Source of Funds:

State:	\$30,000	Departmental Faculty Salaries
Other:	<u>29,700</u>	National Institutes of Health Grant
	\$59,700	Total Salary
Augmentation:	<u>10,000</u>	MSRDP Fund
	<u>\$69,700</u>	Total Compensation

(RBC #109)

Increased the total compensation of Professor Leonard L. Madison (Tenure) from \$99,400 to \$103,700 effective October 1, 1985.

Source of Funds:

State:	\$ 82,500	Departmental Faculty Salaries
Other:	<u>7,500</u>	MSRDP Grant
	\$ 90,000	Total Salary
Augmentation:	<u>13,700</u>	MSRDP Fund
	<u>\$103,700</u>	Total Compensation

(RBC #112)

Obstetrics and Gynecology

Increased the total compensation of Professor of Clinical Obstetrics and Gynecology and Director of House Officer Education Alvin Brekken (Nontenure) from \$94,000 to \$100,000 effective October 1, 1985.

Source of Funds:

State:	\$ 55,100	Departmental Faculty Salaries
Other:	10,800	Public Health Service
	14,100	Family Planning Operating Fund
	<u>\$ 80,000</u>	Total Salary
Augmentation:	20,000	MSRDP Fund
	<u>\$100,000</u>	Total Compensation

(RBC #106)

Increased the total compensation of Assistant Professor David S. Guzick (Nontenure) from \$76,700 to \$82,700 effective October 1, 1985.

Source of Funds:

State:	\$55,030	Departmental Faculty Salaries
Other:	7,670	Family Planning Operating Fund
	<u>\$62,700</u>	Total Salary
Augmentation:	20,000	MSRDP Fund
	<u>\$82,700</u>	Total Compensation

(RBC #107)

8. U. T. Medical Branch - Galveston - Pharmacology Building Containment Laboratory (Project No. 601-543): Award of Construction Contract to Comex Corporation, General Contractors - Engineers, Deer Park, Texas (Exec. Com. Letter 86-4).--The Board, upon recommendation of the Executive Committee, awarded a construction contract for the Pharmacology Building Containment Laboratory at The University of Texas Medical Branch at Galveston to the lowest responsible bidder, Comex Corporation, General Contractors - Engineers, Deer Park, Texas, for the base bid in the amount of \$686,200.

This construction involves shell space located on the third floor of the Pharmacology Building and when completed will fill a critical need for a properly designed containment laboratory for research projects involving toxic materials.

9. U. T. Medical Branch - Galveston: Salary Increases Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-4).--Upon recommendation of the Executive Committee, approval was given to the salary increases set out on Page 223 at The University of Texas Medical Branch at Galveston.

Internal Medicine - Pathology

Increased the total compensation of Associate Professor Ethel V. Patten (Tenure) from \$68,000 to \$75,000 effective October 1, 1985.

Source of Funds:

State:	\$23,000	Departmental Faculty Salaries
Other:	<u>40,000</u>	Department of Health and Human Services Grant
	\$63,000	Total Salary
Augmentation:	<u>12,000</u>	MSRDP Fund
	<u>\$75,000</u>	Total Compensation

(RBC #22)

Microbiology

Increased the total salary of Assistant Professor Clifford W. Houston (Nontenure) from \$38,432 to \$44,632 effective November 1, 1985.

Source of Funds:

State:	\$38,867	Departmental Faculty Salaries
Other:	<u>5,765</u>	Department of Health and Human Services Grant
	<u>\$44,632</u>	Total Salary

(RBC #26)

Increased the total salary of Associate Professor Gary R. Klimpel (Nontenure) from \$42,293 to \$47,435 effective November 1, 1985.

Source of Funds:

State:	\$41,091	Departmental Faculty Salaries
Other:	<u>6,344</u>	Department of Health and Human Services Grant
	<u>\$47,435</u>	Total Salary

(RBC #28)

Ophthalmology

Increased the total compensation of Assistant Professor Joel A. Schulman (Nontenure) from \$87,000 to \$95,000 effective October 1, 1985.

Source of Funds:

State:	\$66,750	Departmental Faculty Salaries
	\$66,750	Total Salary
Augmentation:	<u>28,250</u>	MSRDP Fund
	<u>\$95,000</u>	Total Compensation

(RBC #21)

10. U. T. Health Science Center - Houston: Salary Increase Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-4).--The Executive Committee recommended and the Board approved the following salary increase at The University of Texas Health Science Center at Houston:

Surgery - General

Increased the total compensation of Professor and Chairman Frank G. Moody (Tenure) from \$172,500 to \$181,200 effective September 1, 1985.

Source of Funds:

State:	\$ 90,600	Departmental Faculty Salaries
Augmentation:	\$ 90,600	Total Salary
	90,600	MSRDP Funds
	<u>\$181,200</u>	Total Compensation

(RBC #140)

11. U. T. Cancer Center (U.T. M. D. Anderson Hospital - Houston): Blanche Bender Fund - Approval of an Oil and Gas Lease on Undivided Mineral Interest in 367 Acres Out of the Montgomery County School Land Survey, Ab. 351, Montgomery County, Texas, to Shell Oil Company, Conroe, Texas (Exec. Com. Letter 86-4).--Upon recommendation of the Executive Committee, the Board authorized an oil and gas lease covering an undivided 1/4 interest in 367 acres (University's 91.75 net acres) out of the Montgomery County School Land Survey, Ab. 351, Montgomery County, Texas (Blanche Bender Fund - The University of Texas System Cancer Center - U.T. M. D. Anderson Hospital - Houston), to Shell Oil Company, Conroe, Texas. The lease provides for a 1/4 royalty, \$200 per acre bonus, a \$25 per acre annual rental and a three-year term.

12. U. T. Health Center - Tyler: Transfer of Funds Requiring Advance Regental Approval Under Budget Rules and Procedures No. 2 (Exec. Com. Letter 86-4).--Upon recommendation of the Executive Committee, the Board approved the following transfer of funds at The University of Texas Health Center at Tyler:

Educational and General Funds

Amount of Transfer - \$700,000

From: Unappropriated Balance (via Estimated Income) - 1984-85

To: Hospital Equipment

(RBC #136)

REPORT AND RECOMMENDATIONS OF THE FINANCE AND AUDIT COMMITTEE (Pages 225 - 227).--Committee Chairman Yzaguirre reported that the Finance 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 Finance and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Docket No. 25 of the Office of the Chancellor (Catalog Change).--Upon recommendation of the Finance and Audit Committee, the Board approved Docket No. 25 of the Office of the Chancellor in the form distributed by the Executive Secretary. It is attached following Page 404 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.

Regents Hay and Ratliff abstained from voting on items within the Docket related to Exxon Corporation due to a possible conflict of interest.

2. U. T. System: Amendment to the Policy for Filing Financial Disclosure Statements Required by Section 86 of Article V of the General Appropriations Act for 1986-87.--At the August 1985 meeting, the U. T. Board of Regents adopted a policy to implement the requirement contained in Section 86 of Article V of the General Appropriations Act for 1986-87 that certain officers and employees of State agencies file financial disclosure statements with the governing body of the agency.

As a result of a ruling by Attorney General Jim Mattox, only those persons required to file financial disclosure statements with the Secretary of State under Section 3 of Article 6252-9b of Vernon's Civil Statutes must file financial disclosure statements with the governing body of their agency.

Upon recommendation of the Finance and Audit Committee, the policy adopted at the August 1985 meeting of the U. T. Board of Regents for implementing the filing of financial disclosure statements required by Section 86 of Article V of the General Appropriations Act for 1986-87 was amended as follows:

- a. The financial disclosure statement form promulgated by the Secretary of State for purposes of compliance with Section 4 of Article 6252-9b, Vernon's Civil Statutes, shall be utilized by The University of Texas System personnel who are required to file statements in compliance with Section 86 of Article V of the General Appropriations Act for 1986-87.

- b. The financial disclosure statement shall be submitted to the U. T. Board of Regents for review and approval through the dockets of the component institutions and the U. T. System and upon approval by the Board shall be filed as a part of the records of the Office of the Board of Regents.
 - c. Initial financial disclosure statements shall be submitted for review and approval of the Board at its meeting on October 10-11, 1985, and thereafter shall be submitted annually at the meeting of the Board immediately preceding the beginning of the fiscal year on September 1. Persons who are appointed to positions requiring the filing of such statement shall submit same to the Board for review and approval at the first meeting of the Board following their appointment.
 - d. Only those persons who are required to file financial disclosure statements with the Secretary of State pursuant to Section 3 of Article 6252-9b, Vernon's Civil Statutes, are required to file statements pursuant to Section 86 of Article V of the General Appropriations Act for 1986-87.
3. U. T. System: Amendments to Qualifications for Commissioned Law Enforcement Personnel.--In order to establish a career path for persons currently employed by component institutions as guards, to promote stability in employment and broaden the current applicant pool for the Police Academy, the educational requirements for commissioned law enforcement personnel for The University of Texas System, as defined by Paragraph 3 of a resolution adopted by the U. T. Board of Regents at its January 1971 meeting, were amended.

The qualifications for commissioned law enforcement personnel, as amended, are set forth below in their entirety:

- I. Applicant must be a citizen of the United States and must meet the Minimum Standards for Appointment as required by Rule 211.80 of the Rules and Regulations of the Texas Commission on Law Enforcement Officer Standards and Education.
- II. Applicant must have reached 20th birthday but not 45th birthday ON DATE OF COMMISSIONING.
- III. Effective January 1, 1986, an applicant for admission to the U. T. System Police Academy must have a high school diploma or a GED, and must have a minimum of sixty (60) semester college hours. The applicant may fulfill this college requirement by substituting two years of continuous employment as a police guard by a component institution within the U. T. System.
- IV. Physical requirements are as follows:
 - A. VISION:

VISUAL ACUITY - Maximum uncorrected visual acuity of 20/200 and correctable or corrected as follows: 20/30 through 20/40 - correctable to 20/30 in each eye and binocularly.

In excess of 20/40 through 20/100 - must be corrected to 20/30 in each eye and binocularly by means of regular eyeglasses or contact lenses and a statement from an ophthalmologist that no ocular disease exists.

FIELD OF VISION - Horizontal 60-85 degrees temporarily from a central fixation point.

MUSCULAR IMBALANCE - Zero vertical deviation, horizontal - 5 prism diopter esophoria at 20 feet.

OTHER VISUAL FACTORS - Applicants will be rejected for color deficiencies as determined by the Director of Police after examination by an approved ophthalmologist. Chronic inflammation of the eye and adnexa, permanent abnormalities of either eye, or loss of either eye will be grounds for rejection.

- B. HEARING - Applicant must be able to hear ordinary conversation from at least 15 feet with each ear.
- C. GENERAL HEALTH - Applicant must be in good physical condition, capable of strenuous physical exertion and have no physical disabilities which would interfere with police duties.

4. U. T. System Administration and U. T. Austin: Amended List of Individuals Authorized to Negotiate, Execute and Administer Classified Government Contracts (Managerial Group).--
In order to update the list of administrative officials cleared for access to classified material and authorized to negotiate, execute and administer classified government contracts pursuant to the Security Agreement of The University of Texas System with the United States Department of Defense, the resolution adopted on April 11, 1985, was amended by deleting Mr. Robert L. Anderson, Financial Associate, and Dr. Peter T. Flawn, President of The University of Texas at Austin, and adding Dr. William H. Cunningham, President, U. T. Austin, to the Managerial Group. Further, it was ordered that Dr. Gerhard J. Fonken's title be changed from Vice-President for Academic Affairs and Research to Executive Vice-President and Provost.

It was noted that these positions are among the officers of The University of Texas System known as the Managerial Group as described in the Industrial Security Manual for Safeguarding Classified Information.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 228 - 281).--Committee Chairman Baldwin 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. System: Report for the Record - Mission (Role and Scope) Statements for All Degree-Granting Component Institutions.--The following Report for the Record is related to the Coordinating Board, Texas College and University System requirement for approval of institutional mission statements. The report is in two parts: Tables of Programs for each of The University of Texas System degree-granting institutions, followed by Mission Description Statements, essentially narrative descriptions of the tables.

The Tables of Programs set out in this report are equivalent to those adopted by the Board in June 1984 except for format and coding changes adopted by the Coordinating Board after the U. T. Board of Regents approved component institution role and scope tables. In these tables, programs planned for the future are referenced by special footnote rather than by numerical or alphabetical codes as originally used in Board of Regents' approved tables. The academic component institution tables are slated for final adoption (second consideration) by the Coordinating Board at its January 1986 meeting, while those for the health components are slated for initial consideration.

The Mission Description Statements are required by Coordinating Board policies on final consideration of the tables and are essentially general descriptions of the institution's mission as reflected in the role and scope tables. All mission description statements follow a commonly agreed upon format except for the U. T. Austin statement which is patterned after the mission statement originally adopted by the U. T. Austin Centennial Commission.

The Coordinating Board procedures for approval of Mission (Role and Scope) Statements also provide the opportunity, at the institution's option, for the presentation of Historical Statements and additional background information. Any such optional submissions will be consistent with narrative statements in institutional catalogues which have received prior approval as appropriate. Thus, such materials are not included in this report for the record. Any such inclusions will be on file in the Office of Academic Affairs or the Office of Health Affairs.

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

		Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture	(01, 02, & 03)					
Arch & Environ Design	(04)		1	1		
Area & Ethnic Studies	(05)		2 _A	2 _A		
Business	(06, 07, & 08)		1	1	3 _B	
Communications	(09 & 10)		1	2	*	
Computer and Information Scis	(11)		2	1	1	
Education	(13)		1	*		
Engineering	(14)		1	1	1	
Engineering Related Techs	(15)					
Foreign Languages	(16)		3 _C	3 _C	*	
Allied Health	(17)		3 _D	2 _E		
Health Sciences	(18)		3 _F	3 _F	*	
Home Economics	(19 & 20)					
Law	(22)		3 _G			
Letters	(23)		1	1	*	
Liberal/General Studies	(24)		1	2		
Library & Archival Sciences	(25)					
Life Sciences	(26)		1	1	*	
Mathematics	(27)		1	1	1	
Multi/Interdisc Studies	(30)		2 _H	3 _H	3 _I	
Parks & Recreation	(31)					
Philosophy	(38)		1	2		
Physical Sciences	(40 & 41)		1	1	1	
Psychology	(42)		1	1	3 _J	
Protective Services	(43)		1	1		
Public Affairs	(44)		1	1	3 _K	
Social Sciences	(45)		1	1	*	
Trade & Indust	(46, 47, 48, & 49)					
Visual & Performing Arts	(50)		1	*		

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1985

THE UNIVERSITY OF TEXAS-ARLINGTON

Table of Programs: Footnotes

- A: Limited to programs which consist primarily of courses drawn from other, previously approved programs
- B: Business and Management, General
- C: Russian, German, French, and Spanish
- D: Medical Technology
- E: Exercise Physiology
- F: Nursing
- G: Paralegal Studies
- H: Combinations of previously approved programs
- I: Combinations of previously approved programs and Humanities with emphases in Language, Literature, and Cultural Perspectives, offered jointly with UT-Dallas
- J: General Experimental Psychology only
- K: Urban Affairs and Social Work
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas at Arlington

The University of Texas at Arlington is the most comprehensive general academic component of The University of Texas System in North Texas. As a component institution of The University of Texas System, the University is committed to pursue high standards of achievement in instruction, student performance, research and scholarly accomplishment.

Within an environment of academic freedom, students learn from faculty scholars who have in-depth expertise in the arts, the sciences, and in the professions of engineering, business administration, architecture, nursing, social work, and teacher education. The faculty engage in research and creative activity, both to develop and maintain their own scholarly expertise and to extend human knowledge. The results of that research and creative work are made available to students in the classroom and to the general public through publication and public service activities.

At the core of the University curriculum are the arts and the sciences, those academic disciplines common to nearly all colleges and universities in the United States. Courses are offered in these disciplines to support a general liberal education at the baccalaureate level. In addition, degree programs through the master's level are offered in many discipline categories.

As a state-supported public institution, U. T. Arlington is open to all citizens of the State who meet the academic standards for admission. In addition, some students from outside the State are admitted. However, the majority of the students come from the geographic area commonly described as the Dallas-Fort Worth metropolitan area. Degree programs and course offerings beyond those in the Arts and Sciences core are selected primarily to meet the needs and desires of the citizens of this region.

While the general region has no specific boundaries, it is useful to describe it in terms of the Dallas-Fort Worth consolidated metropolitan statistical area which in 1970 had a population of 2.3 million and grew to 3.0 million in 1980. The area continues to grow and was estimated to have a 1984 population of 3.35 million. Thus, U. T. Arlington is located in the heart of a dynamic metropolitan area which is an international center for business and commerce, high technology industry, the fine and performing arts, transportation, health care, research, and government.

To support the social, cultural, and economic development of this region, the University believes that it is desirable to offer programs, in addition to those at the baccalaureate and master's levels, in the Arts and Sciences core which are particularly appropriate for an institution in the center of one of the largest and fastest growing metropolitan areas in the country. Future aspirations include doctoral programs in

continued - The University of Texas at Arlington

selected disciplines within the Arts and Sciences*; programs through the doctoral level in the urban related profession of business, social work, engineering, nursing*, and urban administration; and programs through the master's level in architecture, teacher education*, and the visual and performing arts.*

Many of the people who are served by The University of Texas at Arlington must schedule their involvement with the University around a variety of personal and professional activities. A significant number attend the University as part-time students, and some are employed full time. For many, the University provides the most convenient access to higher education because of their other commitments within the region. This access is particularly important to those who seek graduate degrees within their professions. It is also important to their employers. Consequently, the University continually strives to identify and respond to these special regional needs. Special scheduling and some special services are needed to make the resources of the University most useful to this segment of the community.

All of the faculty are expected to be engaged in some form of research and scholarly activity. Many are engaged in sponsored research. This research not only strengthens the scholarly base of the instructional program but also serves the direct needs of the sponsors. Of particular note is special research in the physical and biological sciences, mathematics, engineering, experimental psychology, social work, urban affairs, the humanities and linguistics.

The mission of The University of Texas at Arlington as stated above is consistent with its role and scope as specified by the Texas Legislature, which in 1971 said:

"The Board is authorized to maintain, operate and administer The University of Texas at Arlington as a general academic institution of higher education offering a standard four-year undergraduate program. The Board shall have the authority to prescribe courses leading to such customary degrees as are offered at leading American universities and to award such degrees. It is the intent of the legislature that such shall include baccalaureate, master's and doctoral degrees and their equivalents
...."

*The Board of Regents of The University of Texas System recognizes that degree programs in these areas are appropriate to consider in future planning even though not included in the role and scope table approved by the Coordinating Board. The U. T. Board of Regents also recognizes that approval of new programs which lie outside the role and scope currently approved by the Coordinating Board cannot be implemented without prior approval of both the program and a change in role and scope.

THE UNIVERSITY OF TEXAS AT AUSTIN

	Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture (01, 02, & 03)					
Arch & Environ Design (04)		1	1	2	
Area & Ethnic Studies (05)		1	1	1	
Business (06, 07, & 08)		1	1	1	
Communications (09 & 10)		1	1	1	
Computer and Information Scis (11)		1	1	1	
Education (13)		1	1	1	
Engineering (14)		1	1	1	
Engineering Related Techs (15)					
Foreign Languages (16)		1	1	1	
Allied Health (17)		3A			
Health Sciences (18)		3B	3C	3C	3D
Home Economics (19 & 20)		1	1	2	
Law (22)			1		1
Letters (23)		1	1	1	
Liberal/General Studies (24)		1	2	2	
Library & Archival Sciences (25)		2	1	1	
Life Sciences (26)		1	1	1	
Mathematics (27)		1	1	1	
Multi/Interdisc Studies (30)		1	1	2	
Parks & Recreation (31)					
Philosophy (38)		1	1	1	
Physical Sciences (40 & 41) *		1	1	1	
Psychology (42)		1	1	1	
Protective Services (43)					
Public Affairs (44)		1	1	1	
Social Sciences (45)		1	1	1	
Trade & Indust (46, 47, 48, & 49)					
Visual & Performing Arts (50)		1	1	1	

*: Music - Church Music (Bacc. program only) CIP Code 39.0501.00

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

TABLE OF PROGRAMS: FOOTNOTES

- A: Medical Technology only
- B: Pharmacy and Nursing only
- C: Pharmacy, Nursing, Communication-Education of the Deaf, and
Communication-Audiology only
- D: Pharmacy only

The University of Texas at Austin

The University of Texas at Austin is a general academic component of The University of Texas System. As a component institution of The University of Texas System, the University is committed to pursue high standards of achievement in instruction, student performance, research, and scholarly accomplishment.

The Mission of The University of Texas at Austin is:

- To promote the development of the human resources of Texas and the Nation to their highest potential of intellectual achievement and personal growth;
- To provide excellent teaching for the education of qualified and promising undergraduates and graduates of diverse social, economic, and ethnic background;
- To conduct research designed to develop and to extend human knowledge;
- To advance the arts and to preserve culture;
- To cultivate in the minds of the students the ethical and moral values that are the basis of a humane social order;
- To maintain intellectual freedom, to protect it from those who seek to shackle independent thought, and to guard against unquestioning conformity to established intellectual doctrine;
- To provide superior libraries that will serve as centers of scholarly research and as learning resources for students, faculty members, and the people of Texas;
- To render service to the public through museums, exhibitions, performing arts, and other cultural activities; through applied research; through dissemination of information; and through athletic activities;
- To provide continuing and advanced education for professional development and intellectual enrichment; and
- To serve as the leader of higher education in Texas and to develop further a superior system of higher education, as well as to sustain and strengthen the quality of primary and secondary school education throughout the State.

In order to accomplish its mission, the University should produce self-reliant graduates who are able to provide leadership and who do not simply react to events. The University should not only equip its graduates with skills but should also educate them to adapt to, and cope with, the accelerated process of change that will occur in business, professional, and social institutions in the future.

The University should expose all students to a broad spectrum of the liberal arts, so that they may be educated beyond vocational requirements and thus be prepared to be responsible citizens of our increasingly complex world.

continued - The University of Texas at Austin

The University should keep itself free from dogmatic conformity and doctrinal control brought to bear by any segment of society government. It should continue to dedicate itself to the ideals of learning and scholarship and must constructively involve itself with the significant and frequently controversial issues that beset our present and will trouble our future. The University should be a catalyst for uniting the world of learning with the world of affairs and should seek out every opportunity to emphasize humane values and to enhance the intellectual and cultural life of the State and of the Nation.

The University should acquire and retain a faculty of the highest scholarly distinction and teaching competence. It shall be a cosmopolitan body with wide-ranging interests and broad academic vision, whose members teach basic, as well as advanced, courses and make scholarly contributions to their respective fields and are mindful of public service.

The University should attract and hold a highly qualified and diverse student body. The University should provide the opportunity for students to develop their talents and for each student to develop his or her potential to the maximum.

The University should continue to foster a scholarly environment that promotes the creative processes which advance knowledge and understanding.

The University should excel in basic and applied research.

The University should continue to encourage and justify -- by tangible as well as intangible achievements and by the demonstration of its fiscal responsibility -- the financial support it receives from both public and private funds.

The University should pursue its mission internationally as well as within the State and Nation in its continuing quest for excellence. It should seek to become a great world university in addition to seeking preeminence in the State and the Nation.

In fulfilling its mission, the scope of The University's degree programs extends throughout the full range and level of academic disciplines as indicated in the Coordinating Board approved Table of Programs.

INSTITUTION: The University of Texas at Dallas

DATE: July 1985

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

		Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture	(01, 02, & 03)					
Arch & Environ Design	(04)					
Area & Ethnic Studies	(05)		3 _A			
Business	(06, 07, & 08)		1	1	1	
Communications	(09 & 10)		*	*		
Computer and Information Scis	(11)		1	1	1	
Education	(13)		3 _B	3 _B	*	
Engineering	(14)		3 _C	3 _C	*	
Engineering Related Techs	(15)					
Foreign Languages	(16)		3 _D	2 _E		
Allied Health	(17)		2 _F			
Health Sciences	(18)		3 _G	3 _G	3 _G	
Home Economics	(19 & 20)					
Law	(22)					
Letters	(23)		1	2	*	
Liberal/General Studies	(24)		1	2		
Library & Archival Sciences	(25)					
Life Sciences	(26)		1	1	1	
Mathematics	(27)		1	1	1	
Multi/Interdisc Studies	(30)		2 _H	3 _I	3 _J	
Parks & Recreation	(31)					
Philosophy	(38)		1	2		
Physical Sciences	(40 & 41)		1	1	1	
Psychology	(42)		1	2	*	
Protective Services	(43)					
Public Affairs	(44)		3 _K	3 _L	3 _L	
Social Sciences	(45)		1	2	*	
Trade & Indust	(46, 47, 48, & 49)					
Visual & Performing Arts	(50)		1	*		

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1985

THE UNIVERSITY OF TEXAS AT DALLAS

Table of Programs: Footnotes

- A: American and Asian Studies
- B: Special Education
- C: Electrical Engineering (Microelectronics and Telecommunications, only) and Engineering Science (electronic mechanisms design and manufacturing, only)
- D: French, Spanish, German, and Russian
- E: French and Spanish
- F: Programs for the diagnosis and remediation of handicapped children related to the Callier Center
- G: Communication Disorders and Language Pathology and Audiology.
- H: Combinations of previously approved programs
- I: Science Education, Environmental Science, Humanities, Human Development, and Interdisciplinary Studies
- J: Environmental Science, Human Development & Communication Sciences, and a joint program with The University of Texas at Arlington in Humanities
- K: Public Administration
- L: Political Economy
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas at Dallas

The University of Texas at Dallas, defined by state law as a "general academic institution" of The University of Texas System, is committed to pursue high standards of achievement in instruction, student performance, research, and scholarship.

U. T. Dallas believes the purpose of any university is the advancement of knowledge and the education of its students and recognizes that the quality of a university is measured by how well it accomplishes these purposes. To those ends, U. T. Dallas is committed to excellence in the conduct of research and instruction. In addition, the University's destiny is inextricably linked with the fortune of the Dallas metropolitan area. The University believes a partnership with the knowledge-based businesses and industries of this area will enhance the University's opportunity to become the first-class institution it aspires to be.

The principal mission of The University of Texas at Dallas is to be responsive to the educational and research needs of the nation as exemplified by the technologically-sophisticated and managerially-intensive economy of the Dallas metropolitan area. A unique portion of the mission of U. T. Dallas, which is met through the Callier Center of Communication Disorders, is the provision of clinical services, educational services, cultural and social activities, and the conduct of research to serve the needs of those with communication disorders.

U. T. Dallas inherited from the Southwest Center for Advanced Studies a distinguished and well recognized program of research which has been maintained and expanded. Since becoming a state institution, U. T. Dallas has ranked among the top academic institutions in Texas in sponsored research per full-time-faculty equivalent, consistently outranking most older and more traditional Texas state universities. The nature of this research has focused on scientific and technological disciplines and has ranged from the instrumentation of outer space exploration to problems in the neurosciences.

While U. T. Dallas draws students from throughout the world, more than 80 percent of the student body come from the North Dallas region and surrounding area, an area with approximately two million people. A majority of the students are employed, many of them full time, and over 75 percent of the students attend evening classes. As the only public institution of higher education located in the Dallas metropolitan area, U. T. Dallas is committed to providing undergraduate and graduate educational opportunities at times that are convenient to its place-bound constituents.

To support the social, cultural, and economic development of the Dallas region, U. T. Dallas has defined its principal mission, designed its programs, and assembled its faculty with an aim toward the conduct of graduate education and research to meet the needs of business, industry, and government, as well as to continue to enhance its national academic reputation by the placement of some of its doctoral graduates at major universities.

A distinguishing feature of U. T. Dallas is its academic organization and programmatic structure. The academic structure reflects programmatic function rather than disciplinary departmentalization. The schools have been constituted to serve as

budgetary and management centers for all academic activities: graduate and undergraduate programs, undergraduate colleges and research centers. The academic organization at U. T. Dallas supports the programmatic requirements of graduate research and instruction in many nontraditional fields of study, including industrial chemistry, applied mathematics, environmental sciences, communication sciences and disorders, political economy, and international management. In addition, U. T. Dallas conducts its programs in teacher education in a comparatively unorthodox, but successful, manner. Students seeking teacher certification are required to meet the same requirements of their discipline as are non-teacher education students. U. T. Dallas has no separate department or school of teacher education.

U. T. Dallas is the only upper-division doctoral granting institution in the nation. At the core of the U. T. Dallas curriculum, as shown in Section I, Table of Programs, are the arts and the sciences, those academic disciplines common to most colleges and universities in the United States. Degree programs are offered in these disciplines to support a general liberal education, within an interdisciplinary context, at the baccalaureate level. Master's level courses and degree programs also are offered in many of these disciplines, and offerings at the doctoral level exist or are considered appropriate by the U. T. Board of Regents for future planning in six of the nine Arts and Sciences discipline areas.

Degree programs and course offerings beyond those in the Arts and Sciences core reflect the specific needs of employers and citizens in the Dallas region and the distinctive character of U. T. Dallas as a graduate research institution. U. T. Dallas currently offers baccalaureate and master's level programs and courses in eight other disciplines (Business Administration, Education, Health Sciences, Public Affairs, Communication, Computer and Information Sciences, Multi/Interdisciplinary and Liberal/General Studies). In addition, baccalaureate level programs in Area/Ethnic Studies are authorized. Recently, the Coordinating Board gave its approval for U. T. Dallas to offer baccalaureate and master's level programs in Engineering. Doctoral level work in seven of these ten disciplines is either offered at the present time or considered appropriate by the U. T. Board of Regents in planning to meet future needs of the Dallas region.

The Table of Programs approved by the U. T. Board of Regents recognizes degree programs in some discipline categories for future planning purposes and generally does not restrict the University's efforts within a broad discipline category and level even though the table currently approved by the Coordinating Board is restricted by footnote. The U. T. Board of Regents does recognize that approval of new programs which lie outside the currently approved role and scope cannot be implemented without prior approval of both the program and a change in the role and scope.

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

	Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture (01, 02, & 03)					
Arch & Environ Design (04)					
Area & Ethnic Studies (05)		3A	2A		
Business (06, 07, & 08)		1	1		
Communications (09 & 10)		1			
Computer and Information Scis (11)		1	1		
Education (13)		1	1	*	
Engineering (14)		1	1	*	
Engineering Related Techs (15)					
Foreign Languages (16)		3B	3B		
Allied Health (17)		3C			
Health Sciences (18)		3D	3E		
Home Economics (19 & 20)					
Law (22)					
Letters (23)		1	1		
Liberal/General Studies (24)		2	2		
Library & Archival Sciences (25)					
Life Sciences (26)		1	1		
Mathematics (27)		1	1		
Multi/Interdisc Studies (30)		2F	3F		
Parks & Recreation (31)					
Philosophy (38)		1	2		
Physical Sciences (40 & 41)		1	1	3G	
Psychology (42)		1	1	*	
Protective Services (43)		1			
Public Affairs (44)		3H	3I		
Social Sciences (45)		1	1		
Trade & Indust (46, 47, 48, & 49)					
Visual & Performing Arts (50)		1	1		

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1985

THE UNIVERSITY OF TEXAS AT EL PASO

Table of Programs: Footnotes

- A: American (05.0102), Latin American (05.0107), and Hispanic-American (05.0203) Studies
- B: French, German, and Spanish
- C: Speech, Hearing, and Language Disorders, Medical Technology
- D: Nursing, Health Care Administration
- E: Speech Pathology and Audiology, Nursing
- F: Combinations of previously approved programs
- G: Geological Sciences
- H: Social Work
- I: Public Administration
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas at El Paso

The University of Texas at El Paso is a general academic component of The University of Texas System. Established in 1913 as the Texas State School of Mines and Metallurgy, it became a part of The University of Texas System in 1919. Subsequently, it grew both in enrollment and programs until, in 1967, it adopted its current name to reflect the breadth and level of its academic programs. As a component institution of The University of Texas System, the University is committed to pursue high standards of achievement in instruction, student performance, research, and scholarly accomplishment.

Within an environment of academic freedom, students learn from faculty scholars who have demonstrated expertise in the arts and the sciences, as well as in the professions of business, education, engineering, allied health, and nursing. The faculty engage in research and creative activity, both to develop and maintain their own scholarship and to extend human knowledge. The results of that research and creativity are made available to students in the classroom and the laboratory, and to the general public through publication and public service activities.

At the core of the University curriculum are the arts and the sciences, those academic disciplines common to nearly all colleges and universities in the United States. Courses are offered in these disciplines to support a general liberal education at the baccalaureate level. In addition, the University offers degree programs through the master's level in many discipline categories.

As a state-supported public institution, the University is open to all citizens of the State and elsewhere who meet the academic standards for admission. While U. T. El Paso admits some students from outside the State, the majority come from the immediate geographic area in which the University is located. Degree programs and course offerings beyond those in the Arts and Sciences core are selected primarily to meet the needs and desires of the residents of this region.

Although the region of immediate service has no specific boundaries, it is most often considered to consist of the far West Texas or upper Rio Grande planning region, a section of the State which grew by 45 percent between 1970 and 1980 to a population of 1.6 million. The social, political, and economic concerns of the upper Rio Grande planning region are very closely linked to the interests of Southeastern New Mexico and Ciudad Juarez, Mexico, a city of approximately one million people.

Because it is the only state-supported comprehensive university in far West Texas, U. T. El Paso believes that it bears a special responsibility to serve the higher education needs of the region from the baccalaureate to the doctoral level. Located on both an interstate and an international border, its constituencies reflect many cultural backgrounds which offer unique opportunities for instruction, research, and service in all fields -- especially in business, education, engineering, allied health, and nursing. The University fulfills its service responsibilities by offering facilities for general community use, presenting cultural (including music, art, and drama) and athletic events, encouraging appropriate consulting engagements for the faculty and providing continuing education opportunities in a wide range of studies.

continued - The University of Texas at El Paso

To support the social, cultural, and economic development of this region, the Coordinating Board has authorized the University to offer degrees through the doctoral level in physical sciences (limited to geological sciences); through the master's level in business, education, engineering, allied health, and nursing; in addition to those at the baccalaureate and master's level in Arts and Sciences.

In addition, the U. T. Board of Regents has recognized that several degree programs not included in the role and scope table approved by the Coordinating Board are appropriate for consideration in U. T. El Paso's future planning. These programs include offerings in psychology, engineering, chemistry, and education. The U. T. Board of Regents recognizes that programs outside the role and scope approved by the Coordinating Board cannot be implemented without prior approval of both the program and a change in role and scope.

Many of the students who are served by The University of Texas at El Paso must work full time; consequently, they pursue their educational programs on a part-time basis. For many, the University provides the only access to higher education at either the undergraduate or graduate level. This access is particularly important to place-bound individuals who seek graduate degrees to enhance careers which they have already established and believe they cannot afford to abandon. The University is also important to their employers and most other enterprises in the area because it provides the only source of continuing professional development, research, and cultural enrichment.

As the region's primary source of higher education opportunity, The University of Texas at El Paso strives to identify and respond to its special needs. It offers class schedules and instructional services which make the resources of the University most useful to the area and available in courses offered at hours which are convenient to employment schedules. It also encourages research which is germane to the region, e.g., in manufacturing engineering, geology, and bilingual education, as well as that which has an impact nationally and internationally.

While all of the faculty are engaged in research and scholarly activity, many conduct sponsored research which is funded by both federal and state agencies, as well as private foundations and industry. Such engagements strengthen the scholarly base of the instructional program and serve the direct needs of the sponsors as well. Of particular note are the special research strengths in geology, psychology, biology, chemistry, education, business and economics, engineering, and border studies.

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

	Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture (01, 02, & 03)					
Arch & Environ Design (04)					
Area & Ethnic Studies (05)					
Business (06, 07, & 08)		1	3 _A		
Communications (09 & 10)		3 _B			
Computer and Information Scis (11)		1	*		
Education (13)		1	1		
Engineering (14)		3 _C	3 _C		
Engineering Related Techs (15)		*			
Foreign Languages (16)		3 _D			
Allied Health (17)					
Health Sciences (18)					
Home Economics (19 & 20)					
Law (22)					
Letters (23)		1	3 _E		
Liberal/General Studies (24)		2			
Library & Archival Sciences (25)					
Life Sciences (26)		1	3 _F		
Mathematics (27)		1	*		
Multi/Interdisc Studies (30)		3 _G	3 _H		
Parks & Recreation (31)					
Philosophy (33)					
Physical Sciences (40 & 41)		3 _I	3 _J		
Psychology (42)		1	*		
Protective Services (43)		1			
Public Affairs (44)					
Social Sciences (45)		1	3 _K		
Trade & Indust (46, 47, 48, & 49)					
Visual & Performing Arts (50)		3 _L	*		

Explanation of Codes:

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- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1985

THE UNIVERSITY OF TEXAS-PERMIAN BASIN

Table of Programs: Footnotes

- A: Business Management, General
- B: Mass Communications (Journalism)
- C: Control Engineering
- D: Spanish
- E: English, General
- F: Biology, General
- G: Humanities and combinations of previously approved programs
- H: Behavioral Science and combinations of previously approved programs
- I: Chemistry and Geological Sciences
- J: Geological Sciences
- K: History
- L: Art and Music
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas of the Permian Basin

The University of Texas of the Permian Basin is an upper-level general academic component of The University of Texas System. As a component institution of The University of Texas System, the University is committed to pursue high standards of achievement in instruction, student performance, research, and scholarly accomplishment.

Within an environment of academic freedom, students learn from faculty scholars who have in-depth expertise in the arts, the sciences, and the professions of business, engineering, and teacher education. The faculty engage in research and creative activity, both to develop and maintain their own scholarly expertise and to extend human knowledge. The results of that research and creative work are made available to students in the classroom and to the general public through publications and public service activities.

At the core of the University curriculum are the arts and the sciences, those academic disciplines common to nearly all colleges and universities in the United States. Courses are offered in these disciplines to support a general liberal education at the baccalaureate level. In addition, degree programs through the master's level are offered in many discipline categories.

As a state-supported public institution, the University is open to all citizens of the State who meet the academic standards for admission. Although some students from outside the State are admitted, the majority of the students come from the geographic area in which the institution is located. Degree programs and course offerings beyond those in the Arts and Sciences core are selected primarily to meet the needs and desires of the citizens of this region.

While the region has no specific boundaries, it is useful to think of it in terms of the seven-county region surrounding the Odessa/Midland area, a region which grew by 16 percent between 1970 and 1980 to a population of approximately 300,000. The Permian Basin, with its enormous petroleum industry, puts special demands on the University's curriculum, as well as its research and service efforts.

To support the social, cultural and economic development of this region, the University believes it is desirable to offer programs through the master's level in business, education, and some aspects of engineering in addition to those at the baccalaureate and master's level Arts and Sciences core.

Many of the people who are served by The University of Texas of the Permian Basin must schedule their involvement with the University around a variety of personal and professional activities. They attend the University as part-time students, and some are employed full time. For many, U. T. Permian Basin provides the only access to higher education because of their other commitments within the region. This access is particularly important to those who seek graduate degrees within their professions. It is also important to their employers. Consequently, the University continually strives to identify and respond to those special regional needs. Special scheduling and some special services are needed to make the resources of the University most useful to this segment of the community.

continued - The University of Texas of the Permian Basin

While all of the faculty engage in research and scholarly activity, many are engaged in sponsored research. This research not only strengthens the scholarly base of the instructional program but also serves the direct needs of the sponsors. Of particular note is the special research strength in energy and energy-related business.

The U. T. Board of Regents recognizes that some degree programs are appropriate to consider in future planning, even though not included in the role and scope table approved by the Coordinating Board. Additionally, the table of programs approved by the U. T. Board of Regents generally does not restrict the University's efforts within a broad discipline category and level, even though the role and scope approved by the Coordinating Board is restricted by footnote. The U. T. Board of Regents also recognizes that approval of new programs which lie outside the approved role and scope cannot be implemented without prior approval of both the program and a change in the role and scope.

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

	Asso. Cert.	Bacc.	Master	Doct.	Special Prof.
Agriculture (01, 02, & 03)					
Arch & Environ Design (04)		3A	*		
Area & Ethnic Studies (05)		3B	3B		
Business (06, 07, & 08)		1	1		
Communications (09 & 10)		2C			
Computer and Information Scis (11)		1	1	*	
Education (13)		1	1	*	
Engineering (14)		3D	3E	*	
Engineering Related Techs (15)					
Foreign Languages (16)		3F	3G		
Allied Health (17)		3H			
Health Sciences (18)					
Home Economics (19 & 20)					
Law (22)					
Letters (23)		1	1		
Liberal/General Studies (24)		2	2		
Library & Archival Sciences (25)					
Life Sciences (26)		1	1	*	
Mathematics (27)		1	1		
Multi/Interdisc Studies (30)		3I	3I		
Parks & Recreation (31)					
Philosophy (38)		2	*		
Physical Sciences (40 & 41)		1	3J		
Psychology (42)		1	2		
Protective Services (43)		1			
Public Affairs (44)		2K	3K		
Social Sciences (45)		1	1	*	
Trade & Indust (46, 47, 48, & 49)					
Visual & Performing Arts (50)		1	3L		

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1925

THE UNIVERSITY OF TEXAS-SAN ANTONIO

Table of Programs: Footnotes.

- A: Architecture and Interior Design
- B: American and Hispanic American Studies
- C: Mass Communication
- D: Civil, Electrical, Mechanical, and Computer Engineering
- E: Computer Science Systems Design
- F: French, German, Spanish, and Russian
- G: French, German, and Spanish
- H: Joint programs with UTHSC-SA in Medical Technology and Occupational and Physical Therapy
- I: Combinations of previously approved programs
- J: Chemistry and Geology
- K: Public Administration
- L: Art and Music
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas at San Antonio

The University of Texas at San Antonio is a general academic component of The University of Texas System. As a component institution of The University of Texas System, the University is committed to pursue high standards of achievement in instruction, student performance, research and scholarly accomplishment.

Within an environment of academic freedom, students learn from faculty scholars who are knowledgeable in the arts, the sciences, and the professions of engineering, business, architecture, public administration and education. The faculty engage in research and creative activity, both to develop and maintain their own scholarly expertise and to extend human knowledge. The results of that research and creative work are made available to students in the classroom and to the general public through publication and public service activities.

At the core of the University curriculum are the arts and the sciences, those academic disciplines common to nearly all colleges and universities in the United States. Courses are offered in these disciplines to support a general liberal education at the baccalaureate level. In addition, degree programs, through the master's level, are offered in many of these disciplines.

As a state-supported public institution, the University is open to all citizens of the State who meet the academic standards for admission. In addition, some students from outside the State are admitted. However, the majority of the students come from the geographic area in which the institution is located. Degree programs and course offerings beyond those in the Arts and Sciences core are selected primarily to meet the needs and desires of the citizens of this region.

While the region has no specific boundaries, it is useful to think of it in terms of the 46-county South Texas region, a region which grew by 26 percent between 1970 and 1980 to a population of approximately 2.6 million.

The potential for continued economic and technological development of San Antonio and the South Texas region is dependent in large measure on selected program development at U. T. San Antonio. In addition to the development of engineering programs at the University, U. T. San Antonio has focused its science and technology programs to support San Antonio's development as a major biotechnology center, as well as a center for the testing and instrumentation of aerospace and defense systems.

To support the social, cultural and economic development of this region, the University believes it is desirable to offer programs in the following discipline categories in addition to those at the baccalaureate and master's level in the Arts and Science core.

1. Through the doctoral level: programs in life sciences*, engineering*, computer sciences*, education*, and social sciences*;
2. Through the master's level: programs in architecture*, business, and public administration;
3. Through the baccalaureate level only: programs in mass communications, criminal justice (protective services), and allied health sciences (in cooperation with the U. T. Health Science Center - San Antonio).

The University plans initially to develop with other institutions cooperative or joint degrees at the doctoral level in life sciences, education, and computer sciences. As U. T. San Antonio develops the capacity to meet the regional need for graduate engineering education, the U. T. Austin graduate engineering program in San Antonio will be phased out.

U. T. San Antonio is the only public university serving this metropolitan population of over a million people. While there are several small private universities located in San Antonio, their academic program offerings are limited and they appeal to a different student population than does U. T. San Antonio.

Many of the people who are served by The University of Texas at San Antonio must schedule their involvement with the University around a variety of personal and professional activities. They attend the University as part-time students, and some are employed full time. For many, the University provides the only access to higher education because of their other commitments in the region. This access is particularly important to those who seek graduate degrees within their professions. It is also important to their employers. Consequently, the University continually strives to identify and respond to those special regional needs. Special scheduling and some special services are needed to make the resources of the University most useful to this segment of the community.

While all of the faculty engage in research and scholarly activity, many are engaged in sponsored research. This research not only strengthens the scholarly base of the instructional program but also serves the direct needs of the sponsors and the region.

*The Board of Regents of The University of Texas System recognizes that degree programs in these areas are appropriate to consider in future planning even though not included in the role and scope table approved by the Coordinating Board. The U. T. Board of Regents also recognizes that approval of new programs which lie outside the role and scope approved by the Coordinating Board cannot be implemented without prior approval of both the program and a change in role and scope.

continued - The University of Texas at San Antonio

The University of Texas at San Antonio, a comprehensive public metropolitan university, was created by the 61st Legislature on June 5, 1969, to offer bachelor's, master's, and doctoral degrees "as are customarily offered at leading American universities." The 61st Legislature further charged that the University should establish "such other rules and regulations as may be necessary for the conduct of the university as one of the first class...."

PUBLIC SENIOR COLLEGES AND UNIVERSITIES
TABLE OF PROGRAMS

		Asso. Cert.	Bacc.	Mast.	Doct.	Special Prof.
Agriculture	(01, 02, & 03)					
Arch & Environ Design	(04)					
Area & Ethnic Studies	(05)					
Business	(06, 07, & 08)		1	1		
Communications	(09 & 10)		3 _A			
Computer and Information Scis	(11)		1	1		
Education	(13)		1	1	*	
Engineering	(14)					
Engineering Related Techs	(15)		3 _B	3 _B		
Foreign Languages	(16)		3 _C	*		
Allied Health	(17)		3 _D	3 _E		
Health Sciences	(18)		3 _F	2 _F		
Home Economics	(19 & 20)					
Law	(22)					
Letters	(23)		1	3 _G		
Liberal/General Studies	(24)		1	2		
Library & Archival Sciences	(25)					
Life Sciences	(26)		1	*		
Mathematics	(27)		1	*		
Multi/Interdisc Studies	(30)		3 _H	3 _I		
Parks & Recreation	(31)					
** Philosophy	(38)		2	*		
Physical Sciences	(40 & 41)		3 _J	*		
Psychology	(42)		1	1		
Protective Services	(43)		1			
Public Affairs	(44)			3 _K		
Social Sciences	(45)		1	3 _L		
Trade & Indust	(46, 47, 48, & 49)					
Visual & Performing Arts	(50)		3 _M	*		

Explanation of Codes:

- 1 Entire category in role and scope; some programs currently exist
- 2 Entire category in role and scope, unless limited by footnote; no programs currently exist
- 3 Only part of the category in role and scope, as defined by footnote

July 1985

THE UNIVERSITY OF TEXAS-TYLER

Table of Programs: Footnotes

- A: Mass Communication
- B: Industrial Safety, Industrial Technology, and General Engineering Technology
- C: Spanish and French
- D: Medical Technology and Respiratory Therapy
- E: Clinical Exercise Physiology
- F: Nursing and Health Professions, General only
- G: English, General
- H: BAAS and combinations of previously approved programs
- I: General Interdisciplinary Studies and combinations of previously approved programs
- **: Kinesiology (36.0108), Baccalaureate and Master's
- J: Chemistry
- K: Public Planning and Administration
- L: History
- M: Art and Music
- *: The institution's governing board has recognized that some degree programs in this discipline category are appropriate to consider in future planning at the institutional level. If a program proposal is submitted under this category, the Coordinating Board must approve both the proposal and a Role and Scope change before implementation.

The University of Texas at Tyler

The University of Texas at Tyler is an upper-level general academic component of The University of Texas System in East Texas. As a component institution of The University of Texas System, the University is committed to the pursuit of high standards in instruction, student performance, research, and other scholarly accomplishments.

Within an environment of academic freedom, students learn from faculty scholars who have expertise in the arts, the sciences, and the professions of public affairs, education, business, health sciences, allied health science, and technology. The faculty engage in research and creative activity, both to develop and maintain their own scholarly expertise and to extend human knowledge. The results of that research and other creative efforts are made available to students in the classroom and to the general public through publication and public service activities.

At the core of the University curriculum are the arts and the sciences, those academic disciplines common to nearly all universities in the United States. Courses are offered in these disciplines to support a general liberal education at the baccalaureate level, and in many disciplines, at the master's degree level.

As a state-supported institution, U. T. Tyler is open to all citizens of the State who meet the academic standards for admission. Also, qualified students from outside the State and throughout the world are admitted. Degree programs and course offerings beyond those in the Arts and Sciences core are selected primarily to meet the needs and desires of the citizens of this region.

While this area has no specific boundaries, it is useful to think of it in terms of the East Texas Planning Region, a region which grew by 30 percent between 1970 and 1980 to a population of 500,000. U. T. Tyler is ideally located to serve the Tyler-Longview-Marshall corridor of the East Texas region. Between 1980 and 1983 this was one of the three most rapidly expanding areas of the State. The rapid growth has created new employment opportunities in manufacturing, retail and wholesale trade, government, service industries, construction, energy and education. The area served by U. T. Tyler has become the center of a broad and expanding health care and health service delivery industry. U. T. Tyler responds to the needs of these constituencies and is prepared to address the growth-related conditions predicted for the remainder of this century.

continued - The University of Texas at Tyler

To support the social, cultural and economic development of this region, the University believes that it is desirable to offer programs through the doctoral level in education*, through the master's level in business, computer and informational sciences, education, technologies, allied health sciences, interdisciplinary studies, public affairs, and health sciences, in addition to those at the baccalaureate and master's level in the Arts and Science core*.

Many of the persons who attend U. T. Tyler are part-time students who are employed full time; consequently, they must schedule their classes around personal and professional responsibilities. Because of their place-bound needs, U. T. Tyler provides their only access to higher education. The quality of education and the quality of life generally, as well as professional growth, are specific objectives of the University, which often requires unique scheduling and special services to meet the comprehensive needs of the greater community.

While all faculty engage in research and scholarly activity, many are engaged in sponsored research. This research strengthens the scholarly base of the instructional program and serves the direct needs of the sponsors. Of particular note are the special research strengths in psychology, education, life sciences, technologies, social sciences, and business.

The University of Texas at Tyler is committed to academic excellence and the pursuit of knowledge. The institution was established by the Legislature as an upper-division institution statutorily dedicated to offering programs leading to baccalaureate and graduate degrees. At the time the institution was established, the area which it was intended to serve was just beginning to grow. The remarkable growth of the past decade, and that which is predicted for the remainder of the century, will continue to have impact upon constituency demands and expectations of U. T. Tyler.

*The Board of Regents of The University of Texas System recognizes that degree programs in these areas are appropriate to consider in future planning even though not included in the role and scope table approved by the Coordinating Board. The U. T. Board of Regents also recognizes that approval of new programs which lie outside the role and scope currently approved by the Coordinating Board cannot be implemented without prior approval of both the program and a change in role and scope.

INSTITUTION UTHSC-DALLAS DATE 11/4/85

HEALTH SCIENCE CENTERS'
TABLE OF PROGRAMS

Texas CIP Category	CIP#	Cert.	Bacc.	Mast.	Doct.	Special Prof.
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MAJOR PROGRAM AREAS

ALLIED HEALTH	(17)	1	1	1		
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HEALTH SCIENCES (18)

Audiology & Speech Pathology	(18.01)					
Basic Clinical Health Sciences	(18.02)			1	1	
Dentistry	(18.04)					
Epidemiology	(18.06)					
Health Services Administration	(18.07)	1	1			
Medicine	(18.10)			2	2	1
Nursing	(18.11)					
Optometry	(18.12)					
Osteopathic Medicine	(18.13)					
Pharmacy	(18.14)					
Podiatry	(18.15)					
Veterinary Medicine	(18.24)					
Public Health	(18.9999.02)					

LIFE SCIENCES (26)

Biochemistry & Biophysics	(26.02)			1	1	
Cell & Molecular Biology	(26.04)			1	1	
Microbiology	(26.05)			2	2	
Misc. Specplzed. Life Sciences	(26.06)			1	1	
Zoology	(26.07)			2	2	

SUPPORTING PROGRAMS

3^a 3^b 3^c

^a Alld. Hlth. Ed.-Ed. in Hlth. Del. Syst./Alld. Hlth. Col. Technol. (13.1399.03), Clinical Dietetics (19.0503.00)

^b Biomed. Comm.-Media Development (13.0501.00), Radiological Physics (40.0806.10), Forensic Studies (43.0106), and jointly offered with U. T. Arlington, Biomedical Engineering (14.0501.20)

^c Biomedical Engineering (14.0501.20), Clinical Psychology (42.0201.00)

The University of Texas Health Science Center at Dallas

The University of Texas Health Science Center at Dallas is a component institution of The University of Texas System and is committed to pursuing high standards of achievement in instruction, research, and clinical activities. Since its inception in 1943, the U. T. Health Science Center - Dallas has evolved as one of the leading biomedical institutions of the country and its programs are designed and implemented with the intent to sustain this progress in the future.

As an academic health science center, the central mission of the institution is to educate health professionals whose lifelong career objectives will be to provide the best possible care, apply the most modern treatment modalities, and continue to seek information fundamental to the treatment and prevention of disease. Within an environment of interdisciplinary activity and academic freedom at the U. T. Health Science Center - Dallas, students receive training from faculty scholars who have in-depth expertise in the many specialities of health care and the biomedical sciences. Faculty members also engage in research and patient care so that they can generate new knowledge in the fight against disease and maintain their clinical skills while serving the residents of Texas to the utmost of their ability. Research findings are made directly available to students and indirectly to the general public as practicing professionals adopt the latest treatment modalities. The focus of the faculty, students, and administration at The University of Texas Health Science Center at Dallas will remain on the creation of new knowledge, the highest ethical standards, the scientific basis of medical practice, and concern and compassion for all people. Every aspect of the University's operation will be conducted in as cost-effective a manner as possible.

The institution consists of the Southwestern Medical School, the Southwestern Graduate School of Biomedical Sciences, and the School of Allied Health Sciences and offers degrees and programs limited to health related fields.

INSTITUTION

UTMB - Galveston

DATE 11/4/85

HEALTH SCIENCE CENTERS'
TABLE OF PROGRAMS

Texas CIP Category	CIP#	Cert.	Bacc.	Mast.	Doct.	Special Prof.
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MAJOR PROGRAM AREAS

ALLIED HEALTH	(17)	1	1	2		
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HEALTH SCIENCES (18)

Audiology & Speech Pathology	(18.01)					
Basic Clinical Health Sciences	(18.02)			1	1	
Dentistry	(18.04)					
Epidemiology	(18.06)					
Health Services Administration	(18.07)		1			
Medicine	(18.10)			1	1	1
Nursing	(18.11)		1	1	2	
Optometry	(18.12)					
Osteopathic Medicine	(18.13)					
Pharmacy	(18.14)					
Podiatry	(18.15)					
Veterinary Medicine	(18.24)					
Public Health	(18.9999.02)					

LIFE SCIENCES (26)

Biochemistry & Biophysics	(26.02)			2	2	
Cell & Molecular Biology	(26.04)			2	2	
Microbiology	(26.05)			2	2	
Misc. Spec. Life Sciences	(26.06)			2	1	
Zoology	(26.07)			1	1	

SUPPORTING PROGRAMS

3^a 3^b

^a Health Care Sci.-Health Education (13.1399.03)
^b Medical Science Research (30.0101.00)

The University of Texas Medical Branch at Galveston

The goal of The University of Texas Medical Branch at Galveston is to attain overall excellence through the effective coordinating of the primary missions of its composite groups. These missions are scholarly teaching, innovative scientific investigation, and state-of-the-art patient care. The University of Texas Medical Branch at Galveston is a component of The University of Texas System, and as such, its mission is consistent with that of its parent system.

U. T. Medical Branch - Galveston provides leadership in the development of effective educational programs that can serve as models for other academic health science centers. U. T. Medical Branch - Galveston, in cooperation with other academic health science centers, educates an appropriate number of physicians, nurses, and allied health professionals to provide health care for the citizens of Texas. It also educates biomedical scientists capable of conducting independent research in academic, industrial, and government research centers. U. T. Medical Branch - Galveston selects students who are ethical, enthusiastic, sensitive to the needs of others, and motivated to learn independently; who have diverse and global interests, inquiring minds, and a desire to understand and solve complex problems. These students should come from diverse social, economic, and ethnic backgrounds and should include representatives from racial minorities and from both sexes. U. T. Medical Branch - Galveston educates physicians, biomedical scientists, nurses, and allied health professionals who it hopes will strive to realize their highest potential. Graduates of U. T. Medical Branch - Galveston will possess essential knowledge and skills, be devoted to patient care, and be committed to lifelong scholarship and learning. They will possess the self-awareness necessary to maintain their own physical and mental health, and be able to draw upon the humanities disciplines in practicing their professions.

U. T. Medical Branch - Galveston's intent is to develop programs that discover new scientific knowledge, both for the sake of knowledge and for its practical benefits to society, and to disseminate this new knowledge. The investigative efforts should be high quality programs which will clearly establish U. T. Medical Branch - Galveston as one of the outstanding academic health science centers in the nation, with a leadership role in the discovery of new scientific knowledge.

U. T. Medical Branch - Galveston takes a leadership role in the discovery of new approaches to treatment, applies this new knowledge to the treatment of patients and intends to have excellent patient-care programs in each of its clinical departments. U. T. Medical Branch - Galveston hopes to create an environment in which the value of caring for all human beings is important. This attitude places highest priority on the well-being of people, including the employees, students, and faculty of U. T. Medical Branch - Galveston, as well as its patients.

U. T. Medical Branch - Galveston exists as part of several larger communities: the scientific community, the community of institutions of higher learning, the community of Galveston, and the community beyond the city. To serve society for the common good, U. T. Medical Branch - Galveston will seek and disseminate new scientific knowledge, educate students and practicing health professionals, provide individual patient care, and help inform the citizens at large in matters that affect their health and well-being.

continued - The University of Texas Medical Branch at Galveston

The institution consists of the School of Medicine, the Graduate School of Biomedical Sciences, the School of Nursing, the School of Allied Health Sciences, the Marine Biomedical Institute, the Institute for Medical Humanities, and the U. T. Medical Branch - Galveston hospitals. U. T. Medical Branch - Galveston offers degrees and programs with subjects limited to health related fields.

INSTITUTION

UTHSC-HOUSTON

DATE 11/4/85

HEALTH SCIENCE CENTERS'
TABLE OF PROGRAMS

Texas CIP Category	CIP#	Cert.	Bacc.	Mast.	Doct.	Special Prof.
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MAJOR PROGRAM AREAS

ALLIED HEALTH	(17)	1	1	2		
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HEALTH SCIENCES (18)

Audiology & Speech Pathology	(18.01)			1		
Basic Clinical Health Sciences	(18.02)			1	1	
Dentistry	(18.04)	1		1		1
Epidemiology	(18.06)			1	1	
Health Services Administration	(18.07)		2			
Medicine	(18.10)			1	2	1
Nursing	(18.11)	1	1	1	2	
Optometry	(18.12)					
Osteopathic Medicine	(18.13)					
Pharmacy	(18.14)					
Podiatry	(18.15)					
Veterinary Medicine	(18.24)					
Public Health	(18.9999.02)			1		1

LIFE SCIENCES (26)

Biochemistry & Biophysics	(26.02)			1	1	
Cell & Molecular Biology	(26.04)			1	1	
Microbiology	(26.05)			1	1	
Misc. Specized. Life Sciences	(26.06)			1	1	
Zoology	(26.07)			1	1	

SUPPORTING PROGRAMS

3^a 3^b 3^c 3^d

- ^a Biomedical Communications (13.1399.03)
- ^b Nutrition & Dietetics (19.0503.00)
- ^c Community Health Sci.-Environmental Sci. (30.0101.05)
- ^d Community Health Sci.-Environmental Sci. (30.0101.05),
Community Health Sci.-Behavioral Sci. (30.0401.20)

The University of Texas Health Science Center at Houston

The University of Texas Health Science Center at Houston is a component of The University of Texas System and, as such, is committed to the pursuit of high standards of achievement in instruction, student performance, clinical service, research, and scholarly accomplishment.

As an academic health science center, the institution is one in which undergraduate, graduate and postgraduate students are educated broadly in the sciences of health and disease and are prepared for health-related careers in the provision of human services, and in teaching and research. Within an environment of academic freedom, students learn from faculty scholars who have in-depth expertise in the various specialties of health care and the biomedical sciences. Such faculty, with the assistance of their students and trainees, engage in research both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise.

Together, faculty and students engage in patient care as an essential part of the teaching and learning experience. They provide exemplary health services to directly benefit the individual recipient and to serve as models which other providers will emulate. The clinical aspects of research are also conducted in conjunction with patient care.

The U. T. Health Science Center - Houston considers itself a member of a larger learning community and works to contribute to and draw from the intellectual pursuit of the other institutions within the Texas Medical Center, and within the greater Houston area. Also, to benefit this local community and the entire State of Texas, the institution offers a program of continuing education to assist practicing health professionals in utilizing the latest findings of research from the worldwide community of scholars in clinical and biomedical fields. As a result of participation in these professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease.

The institution consists of the following units which are listed by date of establishment:

1. Dental Branch (est. 1905; joined U. T. 1943)
2. Division of Continuing Education (1948)
3. Graduate School of Biomedical Sciences (1963)
4. School of Public Health (1967)
5. Medical School (1970)
6. Speech and Hearing Institute (est. 1951; joined U. T. 1971)
7. School of Nursing (1972)
8. School of Allied Sciences (1973)

The six schools included in the above list of eight units offer degrees and programs with subjects limited to health related fields.

INSTITUTION UTHSC-SAN ANTONIO DATE 11/4/85

HEALTH SCIENCE CENTERS'
TABLE OF PROGRAMS

Texas CIP Category	CIP#	Cert.	Bacc.	Mast.	Doct.	Special Prof.
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MAJOR PROGRAM AREAS

ALLIED HEALTH	(17)	1 ^a	1 ^a	2		
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HEALTH SCIENCES (18)

Audiology & Speech Pathology	(18.01)					
Basic Clinical Health Sciences	(18.02)			1	1	
Dentistry	(18.04)	1		1		1
Epidemiology	(18.06)					
Health Services Administration	(18.07)		2			
Medicine	(18.10)			2	2	1
Nursing	(18.11)		1	1	2	
Optometry	(18.12)					
Osteopathic Medicine	(18.13)					
Pharmacy	(18.14)					1 ^b
Podiatry	(18.15)					
Veterinary Medicine	(18.24)					
Public Health	(18.9999.02)					

LIFE SCIENCES (26)

Biochemistry & Biophysics	(26.02)			2	2	
Cell & Molecular Biology	(26.04)			2	2	
Microbiology	(26.05)			2	2	
Misc. Specialized Life Sciences	(26.06)			2	2	
Zoology	(26.07)			2	2	

SUPPORTING PROGRAMS

^a Programs with a general education requirement offered jointly with U. T. San Antonio.
^b Offered jointly with U. T. Austin.

The University of Texas Health Science Center at San Antonio

The University of Texas Health Science Center at San Antonio is a component of The University of Texas System and, as such, is committed to pursue the highest standards of achievement in instruction, student performance, research and scholarly accomplishment, patient care, and service.

The mission of The University of Texas Health Science Center at San Antonio includes teaching, research, patient care, and service. Through the undergraduate, graduate, and postgraduate programs, the faculty is committed to the education of health professionals whose lifelong career objectives will be to provide the best possible health care in the most cost effective way, to apply the most modern treatment modalities, and to continue to seek information fundamental to the treatment and prevention of disease. The U. T. Health Science Center - San Antonio has established itself as a major research institution and through its biomedical research program, the faculty play a major role for the state, nation, and world in the discovery of new knowledge and the search for answers to society's health care needs.

The University of Texas Health Science Center at San Antonio is an integral part of the South Texas Medical Center and an important component of the health care delivery system of San Antonio, South Texas, and, indeed, the State of Texas. Recognizing that the U. T. Health Science Center - San Antonio plays major economic and education roles in the community, it can serve as a catalyst for stimulating biomedical industry in this community by having available the human and physical resources which facilitate the development of biotechnology. As a source of leadership in health care, the institution has a responsibility to provide programs and expertise for the ongoing education of the professional and lay communities.

The institution consists of the School of Allied Health Sciences, the Graduate School of Biomedical Sciences, the Dental School, the Medical School, and the School of Nursing and offers degrees and programs with subject matter limited to health related fields. The Medical Technology, Physical Therapy, and Occupational Therapy programs are offered jointly with The University of Texas at San Antonio. A Doctor of Pharmacy degree program is offered jointly with The University of Texas at Austin. In addition, a component of the School of Public Health of The University of Texas Health Science Center at Houston is housed on this campus.

2. U. T. Austin: Permission for Dr. William L. Fisher to Serve on the Joint Special Committee on Cogeneration [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was granted for Dr. William L. Fisher, Director of the Bureau of Economic Geology and Chairman of the Department of Geological Sciences at The University of Texas at Austin, to serve on the Joint Special Committee on Cogeneration in Texas. Dr. Fisher's service on this Committee will be without remuneration.

Dr. Fisher's appointment is of benefit to the State of Texas, creates no conflict with his regular duties, 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.

3. U. T. Austin: Appointment of (a) Dr. Kathleen Jamieson as Initial Holder of the G. B. Dealey Regents Professorship in Communication in the College of Communication Effective September 1, 1986, (b) Dr. Morris E. Fine to the Robert B. Trull Chair in Engineering for the Period February 1, 1986 Through March 15, 1986, (c) Dr. Irwin H. Sandberg to the First Cockrell Family Regents Chair in Engineering Effective January 16, 1986, and (d) Dr. John B. Goodenough to the Virginia H. Cockrell Centennial Chair in Engineering in the College of Engineering Effective September 1, 1986.--The Board approved the following appointments to endowed academic positions at The University of Texas at Austin effective as indicated:

- a. Dr. Kathleen Jamieson, Professor and Head of the graduate program in Political Communication, University of Maryland, initial holder of the G. B. Dealey Regents Professorship in Communication in the College of Communication effective September 1, 1986

Dr. Jamieson will join the U. T. Austin faculty as Professor and Chairman of the Department of Speech Communication effective September 1, 1986.

- b. Dr. Morris E. Fine as a Visiting Professor under the Robert B. Trull Chair in Engineering in the College of Engineering for the period February 1, 1986 through March 15, 1986

It was noted that Dr. Fine is currently the Walter P. Murphy Professor of Materials Science and Engineering and Associate Dean of Graduate Studies and Research at Northwestern University.

- c. Dr. Irwin H. Sandberg, Mathematics and Statistics Research Center, AT&T Bell Laboratories, Murray Hill, New Jersey, to the First Cockrell Family Regents Chair in Engineering effective January 16, 1986

- d. Dr. John B. Goodenough, Professor and Head of the Inorganic Chemistry Laboratory, Oxford, England, to the Virginia H. Cockrell Centennial Chair in Engineering effective September 1, 1986.

It was requested that no publicity be given to the appointment of Drs. Sandberg and Goodenough.

4. U. T. Austin - College of Engineering: Approval to Name Room 3.132 in the New Chemical and Petroleum Engineering Building as the Amoco Foundation Numerical Reservoir Simulation Laboratory (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--Approval was given to name Room 3.132 in the new Chemical and Petroleum Engineering Building of the College of Engineering at The University of Texas at Austin as the Amoco Foundation Numerical Reservoir Simulation Laboratory, 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.

The naming of this room is to recognize a gift and pledge from Amoco Foundation, Inc. to support a numerical reservoir simulation laboratory in the Department of Petroleum Engineering. The funds are to be used to acquire and maintain equipment and for activities or facilities necessary for the research and teaching functions of the laboratory.

5. U. T. Austin: Approval to Acquire Natchez Trace Collection from Dr. Lucius B. Dabney, Jr. and Inez C. Dabney, Vicksburg, Mississippi, and Authorization for Institutional Representatives to Negotiate Purchase Agreement (No Publicity).--Upon recommendation of the Academic Affairs Committee, the Board authorized The University of Texas at Austin to acquire, by purchase and gift, the Natchez Trace Collection from Dr. Lucius B. Dabney, Jr. and Inez C. Dabney of Vicksburg, Mississippi, and authorized the appropriate institutional representatives to sign the necessary agreements after review by the Office of General Counsel and the Office of Academic Affairs.

Subject to execution of a satisfactory sales agreement, Dr. Dabney will transfer a portion of this special collection in five distinguishable units to U. T. Austin for \$900,000. The purchase price is payable in five installments (one for each unit) consisting of \$300,000 initially and \$150,000 per year over the next four years. The remainder of the collection is to be transferred as a gift.

U. T. Austin proposes to use endowment income, unallocated library resources, and special equipment funds already available to the institution for the initial installment. Special equipment funds will be included in subsequent years' budgets to meet the remaining four installments.

The Natchez Trace Collection is a unique collection of archives, correspondence, ledgers, records, deeds, company and plantation files, and related materials on Southern history, primarily from the 18th and 19th centuries.

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

6. U. T. Austin: Approval of Private Fund Development Campaign for the College of Pharmacy (Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44) and Authorization to Enter Into an Agreement with the Plough Foundation, Memphis, Tennessee, to Establish a Scholarship Fund for the College of Pharmacy.--In accordance with the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.44, the Board approved a private fund development campaign on behalf of the College of Pharmacy at The University of Texas at Austin for the purpose of raising funds to meet a challenge grant program from the Plough Foundation of Memphis, Tennessee, to provide scholarships for pharmacy students.

Further, the Board authorized U. T. Austin to enter into an agreement (conditions outlined below) with the Plough Foundation, Memphis, Tennessee, to establish a permanent scholarship fund for the College of Pharmacy. After review by the Office of General Counsel, the final form of the agreement will be submitted in an appropriate manner to the U. T. Board of Regents for the record.

A summary of the conditions for the Plough Pharmacy Scholarship Program follows:

- a. The scholarship endowment is to be funded over an eleven year period with the Pharmaceutical Foundation of the College of Pharmacy (an internal foundation under Part One, Chapter VII, Section 4, Regents' Rules and Regulations) and the Plough Foundation providing \$50,000 each in the first year, and \$45,000 in each of the ten succeeding years, for a total of \$1,000,000.
- b. The combined funds are to be managed by a bank of the Plough Foundation's choice in Memphis, Shelby County, Tennessee, having capital in excess of \$10 million.
- c. Each year one-half of the earnings from the fund are to be used for scholarships and one-half, less bank fees, returned to principal.
- d. Beginning with the 16th year, the sum of the contributions of the Pharmaceutical Foundation of the College of Pharmacy to the scholarship endowment will begin to be paid to U. T. Austin, \$50,000 the first year and \$45,000 yearly for the next ten years. The amount contributed to the program by the Pharmaceutical Foundation of the College of Pharmacy will be paid to U. T. Austin by the 26th year of the fund. The sums paid to U. T. Austin under this agreement will be deposited in the Common Trust Fund as an additional endowment for the College of Pharmacy with the use of the income to be recommended by U. T. Austin at a later date.

Based on Foundation projections, the principal remaining in the fund at this point is estimated to be approximately \$2.5 million, yielding approximately \$150,000 annually in scholarship funds. (Note: These are optimistic projections assuming

a 12% return. In any case, the proposed fund will provide significant additional scholarship assistance to College of Pharmacy students at U. T. Austin.)

- e. At the 27th year, the even distribution between scholarships and return to principal will end and the entire earnings will be used for scholarships.

- 7. U. T. Austin: Authorization to Convert the Memorial Stadium Option Seat Plan to an Annual Renewal Plan Effective with the 1986 Season and Approval of Increases in Minimum Donations for Respective Options.--In 1969, the option seat plan for football games in Memorial Stadium at The University of Texas at Austin was instituted to assist in the cost of constructing the new upper deck. Under the plan, donors making set contributions were guaranteed priority seating at home games for a period of ten years (later extended to twelve because of construction delays). In addition, option seat holders purchased tickets for those seats at regular prices, although they were not required to purchase them every year in order to retain their priority.

The plan was renewed effective with the 1982 football season, with increased contribution levels and the term of the option reduced to four years to make it possible to respond more effectively to fluctuations in the economy.

In order to reduce current inequities and develop a stronger financial base for intercollegiate athletics, the Board agreed to convert the Memorial Stadium Option Seat Plan to an annual renewal plan for current option holders provided they (a) continue to make specified annual contributions and (b) purchase season tickets. Further, U. T. Austin was authorized to phase out the existing option plan as current holders relinquish their options and assign seating priorities according to the amount and continuity of giving through the Annual Giving Scholarship Program.

The option donations effective with the 1986 season are set forth below:

	<u>Option Cost</u>
Option A	\$250
Option B	\$125
Option C	\$ 60
Option D	\$ 30

Options may be transferable only to a spouse and donations will accrue to Longhorn Scholarship Fund, a quasi endowment fund, the income being used primarily for scholarships for student athletes. Principal from this fund, in whole or part, may be used at the President's discretion, subject to other approvals as appropriate, to support programs and facilities development directly related to intercollegiate athletic programs and for use in matching gifts made by donors to intercollegiate athletics.

8. U. T. Dallas: Approval to Replace Eight Current Degree Programs in the School of Arts and Humanities with Four Interdisciplinary Degrees and to Submit the Programs to the Coordinating Board for Approval (Catalog Change).-- Authorization was given to establish four new interdisciplinary degree programs in the School of Arts and Humanities at The University of Texas at Dallas to replace the current more traditional disciplinary undergraduate degree programs as indicated below and to submit the proposal for these degree programs to the Coordinating Board, Texas College and University System for approval:

Current Bachelor of Arts Degree Programs

English
 French
 Spanish Language and Literature
 Asian Studies
 Classics
 History
 Philosophy
 Music
 Theatre
 Visual Arts

New Bachelor of Arts Degree Programs

Literary Studies
 Historical Studies
 Art and Performance
 Arts and Humanities

It was reported that the faculty of the School of Arts and Humanities feels strongly that this approach is more appropriate for this upper-level institution and that it will provide the best possible undergraduate education in the arts and humanities at U. T. Dallas, given the number of faculty, the material resources, and the nature of the student body. These programs are a direct replacement for the listed existing programs and consequently are within the presently approved role and scope.

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

9. U. T. El Paso: Approval to Increase the Student Services Fee (Required) Effective with the Spring Semester 1986 (Catalog Change).--Upon recommendation of the Academic Affairs Committee, the Board approved an increase in the Student Services Fee (Required) at The University of Texas at El Paso from \$5.25 per semester credit hour, with a maximum of \$63.00, to \$6.50 per semester credit hour, with a maximum of \$78.00 for any one semester, to be effective with the Spring Semester 1986.

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

10. U. T. El Paso: Approval of Memoranda of Agreement with (a) The Center for Research on the Northern Border of Mexico, (b) The Autonomous University of Ciudad Juarez, and (c) The National Institute of Investigations of Biotic Resources and Authorization for the Executive Vice Chancellor for Academic Affairs to Execute Agreements.--The Board, upon recommendation of the Academic Affairs Committee, approved the three memoranda of agreement set out on Pages 273 - 280 by and between The University of Texas at El Paso and the Mexican facilities set out on the following page.

- a. The Center for Research on the Northern Border of Mexico (CEFNOEMEX)

This agreement is oriented toward research on social, cultural, economic, and political realities of Northern Mexico.

- b. The Autonomous University of Ciudad Juarez

This agreement is directed to cooperation in fields of mutual interest including the humanities, engineering, the physical, biological sciences and administration.

- c. The National Institute of Investigations of Biotic Resources (INIREB)

This agreement emphasizes research on the utilization of biological resources through the application of science and technology.

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

MEMORANDUM OF AGREEMENT

This General Agreement of Academic and Scientific Cooperation made the _____ day of _____, 19____, by the Board of Regents of The University of Texas System on behalf of The University of Texas at El Paso ("University") and the Center for Research on the Northern Border of Mexico ("CEFNOEMEX"),

WITNESSETH:

WHEREAS, the University declares that it is a component institution of The University of Texas System governed by the laws and constitution of The State of Texas, and the Rules and Regulations of the Board of Regents, whose objectives include education, research and service; and

WHEREAS, the University intends to establish cooperative action and complementary academic action with the CEFNOEMEX under the terms and conditions established in the clauses of the Agreement; and

WHEREAS, CEFNOEMEX declares that it is a legally constituted, decentralized organization of the State of Tamaulipas, County, Mexico, with its own property, created by decree, as published in the DIARIO Oficial De La Federacion on the 2nd of July, 1982, whose purpose is the promotion and completion of studies oriented toward the promotion of knowledge and the rational utilization of the knowledge and greater understanding of the social, cultural, economic and political reality of the country through research; and

WHEREAS, CEFNOEMEX is interested in cooperation with the University through research projects and student support under the terms and conditions established within the clauses of this Agreement; and

WHEREAS, University and CEFNOEMEX declare on this date, they have decided to formalize their agreement toward scientific and academic cooperation and therefore set down the following clauses for that purpose,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

Section 1. Future Specific Agreements

Pursuant to this general Agreement, the parties agree that they may establish specific agreements of collaboration among one or several units of the University and one or several programs of the CEFNOEMEX, and if approved by both institutions, and the Board of Regents of The University of Texas System, they will be designated as specific agreements of collaboration.

Section 2. Contents of Specific Agreements

Specific future agreements will describe the activities to be developed in detail. They will explain the financial responsibility of each institution, work schedules, participating personnel, required budgets as well as all documents and data necessary to precisely determine the reasons, goals and extent of each agreement.

Section 3. Personnel Matters

The parties agree that the management and attachment of personnel of each institution who may be assigned to complete tasks in relationship with any of the specific agreements for collaboration described in Section 1 will not be the object of any change in status, be it academic, work related or of any kind, due to that person's endeavor to complete his or her assigned task.

Section 4. Employment Matters

The University specifically accepts that in the case of its students who are undertaking thesis work at the CEFNOMEX, in no case does the latter acquire hiring or work related responsibilities at the end of the student's term of study.

Section 5. Intellectual Property

With respect to copyrights and industrial property derived from research completed under this agreement, both parties agree that each specific agreement will determine property rights in regards to the same which in the case of the University will conform to the applicable provisions of said rules.

Section 6. Use of CEFNOMEX Facilities

CEFNOEX accepts, through this Agreement, that the researchers or students who are commissioned by the University and who wish to do so may make use of the Research Offices CEFNOEX has in the cities of Tijuana, Baja California, Mexicali, Baja California, Cd. Juarez, Chihuahua, Nuevo Laredo, Tamaulipas and Matamoros, Tamaulipas, the library, its current awareness information service and its data banks, when they observe the rules which govern each of these by merely identifying themselves with a valid University ID card and with a memorandum from the research project principal investigator or teacher.

Section 7. Use of University Facilities

The University accepts that CEFNOEX research staff or students may make use of the libraries and use data banks when they observe the rules that govern each of these by merely identifying themselves with a valid CEFNOEX ID card and by taking to the Office of Research an application duly signed by a department head of CEFNOEX or coordinator of the research office to which he is commissioned.

Section 8. University Coordination

The University assigns the Office of Research to coordinate the actions derived from the present agreement.

Section 9. CEFNOEX Coordination

The CEFNOEX assigns the Assistant Director for Formacion Y Capacitacion to coordinate the actions derived from this agreement.

Section 10. Modification of General Agreement

This Agreement may be modified by the parties' mutual written consent and at the request of either of them.

Section 11. Effective Date

This Agreement will become effective on the day of signing by both parties and will remain in effect for one year from that date and thereafter shall continue in effect from year to year unless and until one of the parties notifies the other of its intentions to terminate in writing and with six month's advance notice.

EXECUTION

Executed on the _____ day of _____, 19____,
in duplicate originals.

ATTEST:

Center for Research on the
Northern Border of Mexico
("CEFNOEMEX")

By: _____

Title: _____

The Board of Regents of
The University of Texas
System on behalf of The
University of Texas at
El Paso

Recommended for Approval

Haskell Monroe
President

FORM APPROVED:

Office of General Counsel
The University of Texas
System

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 _____, 1985, 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 AGREEMENT

The Board of Regents of The University of Texas System on behalf of The University of Texas at El Paso, a component institution of The University of Texas System, an agency of the State of Texas, United States of America, and The Autonomous University of Ciudad Juarez, Mexico, enter into the following agreement on the date of execution of this MEMORANDUM OF AGREEMENT, as indicated below:

WHEREAS the two educational institutions are culturally and geographically linked and both institutions are concerned with social, humanistic, scientific, and technical research, and

WHEREAS the academic resources of these institutions represent opportunities for cooperative and complementary exchange in a spirit of international cooperation,

IT IS MUTUALLY AGREED AS FOLLOWS:

Section 1. Goals

It is to the mutual benefit of each institution that an effort toward the realization of these opportunities be initiated, and therefore that the following general goals be established

- (a) cooperation in fields of mutual interest which include, but are not limited to the humanities, the physical and biological sciences, engineering, and administration;
- (b) exchange of faculty and researchers for defined periods of time;
- (c) team teaching of seminars, professional development or teaching methods courses, and specialized technical training courses;
- (d) exchange of faculty, administrators, and students specific development programs;
- (e) sharing of cultural, athletic and social experiences;
- (f) exchange of pedagogical equipment and materials;
- (g) reciprocal awarding of scholarships;
- (h) exchange of statistical, technical, and educational data;
- (i) cooperation in research related to problems common to both institutions and the border (i.e., socio-economic, ecological, technical); and
- (j) other programs that would be mutually beneficial.

Section 2. Planning

Both institutions agree:

- (a) to assign to an administrative entity of each respective University the responsibility for the biennial renewal of this agreement or the negotiation of changes or additional agreements on the development of projects in specific areas of mutual interest, as appropriate and feasible; and
- (b) to plan ways to make available, to the extent possible, resources of the respective institutions for projects under the specific terms of future agreements.

Section 3. Future Agreements

- (a) Future agreements concerning any program agreed to by the two parties shall provide details concerning the specific commitments being made by each party and shall not become effective until they have been put in writing and executed by the duly authorized representatives of the two parties, and approved in writing by the Office of the Chancellor of The University of Texas System.
- (b) Such agreements may be cancelled by either party by giving written notice to the other of its intention to terminate the program.

EXECUTION

Executed on the _____ day of _____, 19____,
in duplicate originals.

ATTEST:

Autonomous University of
Ciudad Juarez

By: _____

Title: _____

The Board of Regents of
The University of Texas
System on behalf of The
University of Texas at
El Paso

Recommended for Approval

Haskell Monroe
President

FORM APPROVED:

Office of General Counsel
The University of Texas
System

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 _____, 1985, 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

1129

MEMORANDUM OF AGREEMENT

This General Agreement of Academic and Scientific cooperation made the _____ day of _____, 19____, by the Board of Regents of The University of Texas System on behalf of The University of Texas at El Paso ("University") and the National Institute of Investigations of Biotic Resources ("INIREB"),

WITNESSETH:

WHEREAS, the University declares that it is a component institution of The University of Texas System, governed by the laws and constitution of the State of Texas, whose objectives include education, research, and service; and

WHEREAS, the University intends to establish cooperative action and complementary academic action with INIREB under the terms and conditions established in the clauses of the Agreement; and

WHEREAS, INIREB declares that it is a legally constituted, decentralized organization of the State with its own property, created by decree on February 28, 1979, as published in the DIARIO OFICIAL DE LA FEDERACION on the 2nd of March, 1979, whose purpose is the promotion and completion of studies oriented toward the promotion of knowledge and the rational utilization of the biological resources of the country through the application of science and technology; and

WHEREAS, INIREB is interested in cooperation with the University through research projects and student support under the terms and conditions established within the clauses of this Agreement; and

WHEREAS both institutions declare that on this date, they have decided to formalize their agreement toward scientific and academic cooperation and therefore set down the following clauses for that purpose,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

Section 1. Future Specific Agreements

Pursuant to this general Agreement, the parties agree that they will establish future specific agreements of collaboration among one or several units of the University and one or several programs of the INIREB, and if approved by both institutions, and the Board of Regents of The University of Texas System, they may be designated as specific agreements of collaboration.

Section 2. Contents of Specific Agreements

Specific future agreements will describe the activities to be developed in detail. They will explain the financial responsibility of each institution, work schedules, participating personnel, required budgets as well as all documents and data necessary to precisely determine the reasons, goals and extent of each agreement.

Section 3. Personnel Matters

The parties agree that the management and attachment of personnel of each institution who may be assigned to complete tasks in relationship with any of the Specific Agreements for Collaboration described in Section 1 will not be the object of any change in status, be it academic, work related or of any kind, due to that person's endeavor to complete his or her assigned task.

Section 4. Employment Matters

The University specifically accepts that in the case of its students who are undertaking thesis work at the INIREB, in no case does the latter acquire hiring or work related responsibilities at the end of the student's term of study.

Section 5. Intellectual Property

With respect to copyrights and industrial property derived from research completed under this Agreement, both parties agree that each specific agreement will determine property rights in regards to the same.

Section 6. Use of Facilities

INIREB accepts, through this Agreement, that the students, researchers or pupils of the University who wish to make use of its library, botanical gardens and herbarium may do so, if and when they observe the rules which govern each of these, by merely identifying themselves with a valid University identification card.

Section 7. University Coordination

The University assigns the Office of Research to coordinate the actions derived from the present Agreement.

Section 8. INIREB Coordination

INIREB assigns the Assistant Director for Formacion y Capacitacion to coordinate the actions derived from this Agreement.

Section 9. Modification of General Agreement

This Agreement may be modified by the parties' mutual written consent and at the request of either of them.

Section 10. Effective Date

This Agreement will become effective on the day of signing by both parties and will remain in effect for one year from that date and thereafter shall continue in effect from year to year unless and until one of the parties notifies the other of its intention to terminate in writing and with six month's advance notice.

EXECUTION

Executed on the _____ day of _____, 19____,
in duplicate originals.

ATTEST:

The National Institute of
Investigations of Biotic
Resources ("INIREB")

By: _____

Title: _____

The Board of Regents of
The University of Texas
System on behalf of The
University of Texas at
El Paso

Recommended for Approval

Haskell Monroe
President

FORM APPROVED:

Office of General Counsel
The University of Texas
System

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 _____, 1985, 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

11. U. T. Tyler: Development Board - Approval of Nominee Thereto.--A nominee for membership to the Development Board at The University of Texas at Tyler for a three-year term to expire in 1988 was approved without objection.

The name of the nominee will be reported for the record after he has been contacted and his acceptance has been received.

12. U. T. Tyler: Recommendation for Approval to Enter Into a Management Contract with a Non-Profit Corporation (U. T. Tyler Foundation, Inc.) for the Provision of Student Housing (University Place Apartments) (Withdrawn).--The item related to proposed approval to enter into a management contract with a non-profit corporation (U. T. Tyler Foundation, Inc.) for the provision of student housing for The University of Texas at Tyler was withdrawn from consideration since the U. T. Tyler Foundation, Inc. was unsuccessful in acquiring the University Place Apartments adjacent to the campus.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE
(Pages 282 - 344).--Committee Chairman Briscoe 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. Health Science Center - Dallas: Appointment of Charles M. Ginsburg, M.D., to the Robert L. Moore Chair in Pediatrics Effective Immediately.--The Board approved the appointment of Charles M. Ginsburg, M.D., Professor of Pediatrics, to the Robert L. Moore Chair in Pediatrics at The University of Texas Health Science Center at Dallas effective immediately.

See Page 385 related to the redesignation of this chair.

2. U. T. Health Science Center - Dallas: Approval of Patent License Agreement with Coulter Corporation, a Delaware Corporation, the Hialeah, Florida Division.--Upon recommendation of the Health Affairs Committee, the Board approved the agreement set forth on Pages 283 - 295 by and between The University of Texas Health Science Center at Dallas and Coulter Corporation, a Delaware Corporation, the Hialeah, Florida Division, whereby Coulter was granted an exclusive, royalty-bearing patent license for specific tangible biomaterials, i.e., monoclonal antibodies, physically supplied and licensed for a fee to a commercial organization which will sell their derivatives. Four of the antibodies are specific to Deoxynucleotidyl Transferase and one is specific to Neuroblastoma.

The costs of patent procurement and governmental approvals is to be borne by Coulter and there is no provision for royalty payments to be made directly to the inventor. Accordingly, the inventor will receive distributions as provided by the Regents' Rules and Regulations respecting patents.

A twenty-five thousand dollar payment is to be made within ten days after execution of the license and is to be credited against subsequent royalties. Royalties will be paid on a variable scale depending on the nature of patent coverage and the particular year of sale and are required even if no patents are issued.

AGREEMENT

1. PARTIES:

1.1 The Board of Regents of the University of Texas System, referred to hereinafter as "BOARD", for and on behalf of the University of Texas Health Science Center at Dallas, having an office at 5323 Harry Hines Boulevard, Dallas, Texas 75235, referred to hereinafter as "UNIVERSITY".

1.2 Coulter Immunology Division of Coulter Corporation, a Delaware corporation, with offices at 440 West 20th Street, Hialeah, Florida 33010, referred to hereinafter as "CID".

1.3 The University of Texas System is the state agency established by Texas statute which governs UNIVERSITY and its operation. BOARD is its governing body.

2. CONSIDERATION:

2.1 This Agreement is entered into between the aforementioned parties for and in consideration of the undertakings herein expressed, the sufficiency and adequacy of which are hereby acknowledged.

3. SUBJECT MATTER OF AGREEMENT:

3.1 The present Agreement relates to five (5) monoclonal antibodies. As used herein, "MCA" shall mean: five (5) monoclonal antibodies, four (4) of which are specific to Terminal Deoxynucleotidyl Transferase ("Tdt"), and one of which is specific to Neuroblastoma. (MCA are more specifically identified on Attachment A, entitled Clone List).

3.2 R. Graham Smith, M.D. ("SMITH") is employed by UNIVERSITY as Associate Professor of Internal Medicine and is the inventor and developer of MCA. SMITH will provide MCA to CID on behalf of UNIVERSITY.

4. REPRESENTATIONS:

4.1 UNIVERSITY represents that to the best of its knowledge, MCA will not infringe patents owned by third parties. However, CID acknowledges that UNIVERSITY has not carried out any patent searches. In the event that any such infringement is alleged by third parties, CID agrees to notify UNIVERSITY promptly. CID and UNIVERSITY agree to investigate the situation fully and to collaborate in taking appropriate action, including meeting with the third party in a settlement conference. Any settlement reached with the third party must be agreeable to CID and UNIVERSITY. However, neither party will unreasonably or arbitrarily withhold approval of a settlement agreement. If CID is required to make payments to a third party for infringement of the third parties' patents, such payments will be deducted from royalty payments due UNIVERSITY under paragraphs 7.2 - 7.4, except that in no event shall the royalty payments due UNIVERSITY under paragraph 7.2 - 7.4 fall below one percent (1%) of the NET SELLING PRICE, as defined herein, for any PRODUCT, as defined herein, made, commercially used or sold by CID.

4.2 UNIVERSITY represents that to the best of its knowledge, there is no statutory bar to the filing of patent applications on MCA in the United States or foreign countries.

5. GRANT AND EXCHANGE OF INFORMATION:

5.1 BOARD hereby grants to CID the exclusive license and right to make, have made, use and sell PRODUCTS, throughout the United States, its territories and possessions, and in all countries foreign to the United States, and subject to the rights

retained by UNIVERSITY for the limited purposes expressed in paragraph 8 of this Agreement. "PRODUCT" or "PRODUCTS" shall mean a monoclonal antibody immunological substance or substances developed from the MCA provided by UNIVERSITY to CID.

5.2 At a time agreed upon by both parties, UNIVERSITY, through SMITH, will disclose and furnish to CID, MCA described in paragraph 3.1. If a fifth monoclonal antibody to Terminal Deoxynucleotidyl Transferase is recovered by SMITH from frozen clones, it will be furnished to CID and shall be covered under this Agreement in all respects as if it had been one of MCA from the effective date of this Agreement.

5.3 With respect to MCA disclosed or furnished by UNIVERSITY to CID under paragraph 5, CID agrees to keep the MCA confidential during the term of this Agreement and for three (3) years thereafter. This obligation shall terminate or not be enforceable as to any particular aspect of MCA (but remains enforceable as to any other aspect) under the following conditions:

- a. the UNIVERSITY discloses any aspect of MCA by publication, information dissemination or otherwise through SMITH or any other person associated with or employed by UNIVERSITY.
- b. any aspect of MCA was known to CID before disclosure and CID can prove the same to be true.
- c. any aspect of MCA was known publicly before disclosure thereof to CID.
- d. any aspect of MCA is disclosed to CID by a third party under no obligation of confidentiality to UNIVERSITY.

- e. any aspect of MCA becomes known publicly through no fault of CID.

CID agrees to have each of its employees who come into contact with MCA on a need-to-know basis agree to keep MCA confidential on the same terms as apply to CID.

6. INDEMNIFICATION AND HOLD HARMLESS:

6.1 The MCA furnished CID under this Agreement comprises the basic research results intended to enable CID to introduce commercially feasible immunological PRODUCTS. UNIVERSITY AND BOARD MAKE NO REPRESENTATIONS, EXTEND NO WARRANTIES OF ANY KIND, EITHER EXPRESSED OR IMPLIED, AND ASSUME NO RESPONSIBILITIES WHATSOEVER WITH RESPECT TO THE USE, SALE OR OTHER DISPOSITION BY CID, OR BY THIRD PARTIES ACQUIRING THROUGH CID, OF THE PRODUCTS. CID agrees to defend, indemnify and hold harmless UNIVERSITY and BOARD their officers, agents, and employees, from and against all liabilities, demands, damages, costs, expenses or losses, (other than that attributable in whole or in part to BOARD's or UNIVERSITY's fault or negligence or the fault or negligence of UNIVERSITY's employees) arising out of the use, sale or other disposition by CID or by third parties acquiring through CID, of any PRODUCTS marketed by CID under this Agreement, and, if requested, to defend UNIVERSITY and BOARD, their officers, agents and employees against any and all claims arising out of such use, sale or other disposition.

7. PAYMENTS:

7.1 CID will pay UNIVERSITY twenty-five thousand dollars (\$25,000) within ten (10) days after UNIVERSITY executes this Agreement. Such amount will be credited against royalties to become due. No portion of the twenty-five thousand dollars (\$25,000) shall be refundable should no royalties become due under paragraph 7.2, 7.3, or 7.4.

7.2 CID will pay BOARD as royalty in U.S. currency an amount equal to four percent (4%) of the NET SELLING PRICE as herein defined for any PRODUCT made and commercially used or sold by CID in the United States, its territories and possessions, covered by a pending United States patent application pursuant to paragraph 8.2 including, any valid U.S. patent which is granted pursuant to the said patent application, and any division, or continuation thereof. This royalty payment shall be for the life of the U.S. patent or patents granted which cover such a PRODUCT.

7.3 In the event a United States patent is not applied for covering a CID PRODUCT, and patents are not applied for in a foreign government or treaty organization covering a CID PRODUCT, CID will pay as royalty for a PRODUCT it makes, commercially uses or sells in the United States or outside the United States, the amount of two percent (2%) of NET SELLING PRICE for each PRODUCT it sells for a period of five (5) years from the date of first sale of such PRODUCT in a given country.

7.4 CID will pay BOARD as royalty an amount in United States currency equal to the following:

- | | | |
|--------------------------------|---|--------------------|
| a) 1st year of Sale of PRODUCT | - | 0 |
| b) 2nd year of Sale of PRODUCT | - | one percent (1%) |
| c) 3rd year of Sale of PRODUCT | - | two percent (2%) |
| d) 4th year of Sale of PRODUCT | - | three percent (3%) |
| e) 5th year of Sale of PRODUCT | - | four percent (4%) |
| f) Subsequent years of patent | - | four percent (4%) |

of the NET SELLING PRICE for any PRODUCT made, commercially used or sold by CID outside the United States and which is covered by a pending patent application filed with a foreign government or treaty organization pursuant to paragraph 8.2 or which is covered by a valid patent claim issued by a foreign government or treaty organization which has been filed pursuant to paragraph 8.2.

This payment obligation shall be for the life of each issued foreign patent applicable to such a sale.

7.5 "NET SELLING PRICE" as used herein shall mean CID's invoice price for any PRODUCT, less quantity and cash discounts thereon actually allowed and less sales, use, or other similar taxes and any transportation or delivery charges borne by CID. No royalties shall be due on any PRODUCTS which are not accepted by the customer and when royalties shall have been paid on such PRODUCTS, they shall be credited against future royalties to be paid hereunder.

7.6 For the purposes of computing and paying the royalties referred to in paragraph 7.2, 7.3 and 7.4 of this Agreement, the year shall be divided into three parts beginning September 1, January 1, and May 1, of each year, hereinafter referred to as "PAYMENT PERIOD". Within thirty (30) days after the end of each PAYMENT PERIOD, reports shall be made by CID to UNIVERSITY setting forth the number of PRODUCTS which have been sold during the preceding PAYMENT PERIOD, and also showing the NET SELLING PRICE of such PRODUCTS. CID's remittance for the full amount of royalties due for such PAYMENT PERIOD shall accompany such reports. CID agrees to make and keep full and accurate books and records showing all sales of PRODUCTS under this grant of TECHNOLOGY in sufficient detail to enable royalties paid and payable under such grant to be verified. CID further agrees that UNIVERSITY shall be permitted to inspect such books and records from time to time during reasonable business hours, as to any data which is material to the computation of royalties, by an approved firm of certified accountants, to the extent necessary to verify the royalty reports and payments provided by this Agreement. All information derived from CID's books and records shall be kept confidential and not disclosed except pursuant to a protective order of a Court. Such books and records for any

royalty reports which have aged in excess of three (3) years from the date of a royalty report need not be disclosed by CID.

8. INTELLECTUAL PROPERTY AND TECHNOLOGY:

8.1 MCA provided to CID under this Agreement shall belong to UNIVERSITY and BOARD. CID shall have the right to pursue any patent applications on MCA, both domestic and foreign, to protect its interest as a licensee and shall file all documents at its own expense in a timely manner, giving the credit to UNIVERSITY and its inventor as is required to comply with statutory prerequisites. CID shall provide UNIVERSITY with the original Assignment documents (both domestic and foreign), showing assignment of the invention to BOARD by the inventor, if the original is returned to CID by the respective patent offices. If no original is returned, a copy will be provided to UNIVERSITY by CID. UNIVERSITY reserves the right to file said patent applications if CID chooses not to file. CID agrees to promptly notify UNIVERSITY if it chooses not to file patent applications on MCA. Attorneys for UNIVERSITY will be allowed, at UNIVERSITY's expense, to review and comment upon all documents filed by CID pertaining to such patent applications, SMITH shall supply all information in his possession pertaining to MCA which may be necessary for the preparation of such patent applications. SMITH shall cooperate in reviewing drafts of the applications to facilitate filing. If at any time during this Agreement, for any reason, CID decides not to maintain any patent applications or Letters Patent, in the United States or foreign countries, CID will notify UNIVERSITY so that UNIVERSITY may do so. Such notice shall be given promptly so that UNIVERSITY will have adequate time to pay such maintenance fees. All patents shall be assigned to BOARD.

8.2 If patents are issued covering MCA, CID agrees to mark all PRODUCTS sold or otherwise disposed of by it under this Agreement with the word "patent" and the number of the licensed patent.

8.3 CID shall notify UNIVERSITY of any infringement of patent rights under this Agreement. CID shall have the right, at its sole expense, to commence litigation against such an infringer and to join BOARD as a party plaintiff. From the date of commencement of such litigation, royalty payments to BOARD attributable to its patent rights shall be suspended, but this Agreement will not otherwise be affected on that account. Royalty payments will again become payable if the infringement is brought to an end or ceases, from the date of the ending or cessation.

8.4 CID shall not be obligated to maintain more than one (1) lawsuit at any given time in the United States or in any country in which patent rights are granted and which represents a major market area of PRODUCTS embodying MCA.

8.5 CID shall prosecute such litigation it commences in a diligent manner and UNIVERSITY will cooperate fully with CID in such prosecution at its own expense. Subject to approval of BOARD CID shall have the right to settle such litigation upon terms it concludes are reasonable and justified in view of the prevailing conditions and facts developed in the course of such litigation. If BOARD refuses to settle upon terms negotiated by CID, BOARD shall assume complete control of the litigation thereafter and CID shall not be obligated to pay royalties until the infringement is discontinued.

8.6 CID shall proceed diligently to complete its experimentation utilizing TECHNOLOGY for the purpose of marketing PRODUCTS in accordance with current U.S. Food & Drug Administration regulations. UNIVERSITY shall supply adequate quantities of MCA to CID for such experimentation. CID shall provide advance notice to SMITH regarding its need for MCA to be furnished hereunder at a reasonable time prior to CID's planned use of MCA. No additional compensation will be paid by CID for such quantities of MCA.

8.7 Nothing herein shall be construed as preventing UNIVERSITY and BOARD from utilizing any of MCA for any traditional purposes of research and teaching. Nor shall any constraints be inferred to prevent UNIVERSITY or SMITH from publishing its research. UNIVERSITY agrees to be reasonably cooperative with respect to timing and content of such publications so as to not unduly prejudice CID's competitive position at an early stage. UNIVERSITY and BOARD agree that in the event MCA supplied to CID, for which no patent is pending or granted is supplied to a non-customer third party, even inadvertently, or becomes possessed by a non-customer third party so that products equivalent to PRODUCTS of CID are marketed, CID shall not be obligated to pay royalties for its PRODUCTS.

9. REASONABLE EFFORTS:

9.1 CID agrees to use reasonable efforts to introduce MCA into the commercial market as soon as practicable, consistent with sound and reasonable business practices and judgment. Should CID not be commercially distributing MCA satisfactorily on the fourth anniversary of this Agreement, BOARD may terminate the Agreement upon ninety (90) days written notice. Upon such termination or any of those set forth in paragraph 10 hereof, BOARD shall then be free to pursue marketing through another firm. The meaning of "satisfactorily" shall be construed in the light of market conditions, quality of MCA supplied, competition and acceptance of MCA, and reasonable obstacles beyond its control faced by CID.

10. TERMINATION:

10.1 If one party shall at any time commit a material breach of any covenant or agreement herein contained, and shall fail to remedy any such breach within sixty (60) days after written notice

thereof by the other party, such other party may at its option, and in addition to any other remedies that it may be entitled to, terminate this Agreement by notice in writing to such effect. Termination shall not affect BOARD'S right to collect payments accruing prior to termination.

10.2 In the event of termination of this Agreement, CID shall have the right to sell thereafter (1) completed PRODUCTS then on hand; (2) those then being processed; and (3) those with respect to which a firm commitment has been made at the time of termination by reason of the existence of a written agreement. All such sales or other dispositions shall be subject to reporting and royalty payments exactly as if termination had not occurred.

10.3 Upon termination, CID shall be obligated to return to UNIVERSITY the MCA furnished to CID under this Agreement, and to continue to honor the commitment in paragraph 5.3 not to disclose such MCA to third parties.

10.4 In the event that CID should at any time become bankrupt or be placed in receivership, BOARD may elect to terminate this Agreement and revoke all rights granted herein, by serving written notice to that effect on CID at any time after such bankruptcy or receivership.

11. EXPIRATION:

11.1 Unless sooner terminated as provided herein, this Agreement shall continue for as long as CID continues to make, commercially use, or sell PRODUCTS for which royalties are to be assessed. CID shall give BOARD sixty (60) days written notice of its intent to terminate the making, selling or commercial use of PRODUCTS. Should UNIVERSITY discover that CID is not making, selling or commercially using PRODUCTS but CID has failed to give such

notice, BOARD may terminate this Agreement by giving sixty (60) days written notice.

12. ASSIGNMENT:

12.1 This Agreement shall be transferable by CID in a transfer of all of the assets of the business to which MCA pertains, but shall not otherwise be transferable without prior written consent of BOARD which shall not be unreasonably withheld.

12.2 This Agreement shall be binding and inure to the benefit of the successors and assigns of BOARD.

13. LAW APPLICABLE:

13.1 This Agreement shall be construed under the laws of the United States and of the State of Texas.

14. MISCELLANEOUS:

14.1 Notice under this Agreement may be given to CID by notifying Coulter Immunology Division of Coulter Corporation, 440 West 20th St., Hialeah, Florida 33010. Notice may be given to UNIVERSITY in accordance with this Agreement by notifying President, The University of Texas Health Science Center at Dallas, 5323 Harry Hines Boulevard, Dallas, Texas 75235 with a copy to General Counsel, The University of Texas System, 201 West Seventh Street, Austin, Texas 78701.

15. EXECUTION AND EFFECTIVE DATE:

15.1 This Agreement is executed in multiple originals, and shall be effective when signed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement.

ATTEST:

COULTER IMMUNOLOGY DIVISION,
COULTER CORPORATION

[Signature]
Chairman of the Board

By: [Signature]
General Manager

Date: November 2, 1986

FORM APPROVED:

By: [Signature]
for Typed Name: David A. Roth
General Counsel, The University
of Texas System

CONTENT APPROVED:

[Signature]
Charles C. Sprague, M.D.
President, The University of
Texas Health Science Center
at Dallas

[Signature]
Charles Mullins, M.D.
Executive Vice-Chancellor
for Health Affairs
The University of Texas System

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: [Signature]
Typed Name: Hans Mark
Title: Chancellor

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 5TH day of DECEMBER, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

[Signature]
Executive Secretary, Board of Regents
The University of Texas System

CLONE LIST

<u>Antigen</u>	<u>Number</u>	<u>Laboratory Designation</u>	<u>Isotype</u>	<u>Brightness</u>
Tdt	Tdt-1	2-6A6.09	IgG ₁	1
Tdt	Tdt-2	2-1-17B4.11	IgG ₁	2
Tdt	Tdt-3	2-13C3.03	IgG ₁	3
Tdt	Tdt-4	1-11C2.31-19	IgG ₁	4
Neuroblastoma		HSAN1-2	IgG ₁	-

3. U. T. Medical Branch - Galveston (U. T. Allied Health Sciences School - Galveston): Authorization to Change the Name of the Department of Medical Record Administration to the Department of Health Information Management and to Submit Proposal to the Coordinating Board for Approval (Catalog Change).--Authorization was given to change the name of the Department of Medical Record Administration to the Department of Health Information Management at the U. T. Allied Health Sciences School - Galveston of The University of Texas Medical Branch at Galveston and to submit the proposal to the Coordinating Board, Texas College and University System for approval.

It was reported that no additional funds will be required to implement this change, and it will better reflect the Department's current and future orientation toward computerized information systems.

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

4. U. T. Medical Branch - Galveston: Appointment of William D. Willis, Jr., M.D., Ph.D., as an Ashbel Smith Professor Effective Immediately.--Upon recommendation of the Health Affairs Committee, approval was given to appoint William D. Willis, Jr., M.D., Ph.D., Professor with tenure, Departments of Anatomy and Human Biological Chemistry and Genetics, and Director of the Marine Biomedical Institute at The University of Texas Medical Branch at Galveston, as an Ashbel Smith Professor effective immediately.
5. U. T. Medical Branch - Galveston: Authorization to Change Titles for Robert N. Cooley, M.D., Donald Duncan, Ph.D., Raymond L. Gregory, M.D., Ph.D., and Edgar J. Poth, M.D., Ph.D., from Ashbel Smith Professor to Ashbel Smith Professor Emeritus Effective Immediately.--The Board, upon recommendation of the Health Affairs Committee, changed the titles for Robert N. Cooley, M.D., Donald Duncan, Ph.D., Raymond L. Gregory, M.D., Ph.D., and Edgar J. Poth, M.D., Ph.D., from Ashbel Smith Professor to Ashbel Smith Professor Emeritus at The University of Texas Medical Branch at Galveston effective immediately.
6. U. T. Medical Branch - Galveston: Approval of Affiliation Agreement with William Beaumont Army Medical Center, El Paso, Texas.--Approval was given to the affiliation agreement set out on Pages 297 - 299 by and between the U. T. Board of Regents, for and on behalf of The University of Texas Medical Branch at Galveston, and William Beaumont Army Medical Center, El Paso, Texas.

This agreement, executed by the appropriate officials of the institution and facility to be effective upon approval by the U. T. Board of Regents, will allow physical therapy trainees from U. T. Medical Branch - Galveston to obtain clinical learning experience in a medical facility.

Department of the Army
William Beaumont Army Medical Center
El Paso, Texas 79920

MEMORANDUM OF AGREEMENT

I. BACKGROUND

1. The Board of Regents of The University of Texas Medical Branch at Galveston have established an approved professional program of special training in preparation for physical therapists. The program requires clinical facilities where the physical therapy students can obtain the clinical learning experience required in the curriculum.
2. The US Army medical facility, William Beaumont Army Medical Center, has the needed clinical facilities for physical therapy trainees from The University of Texas Medical Branch at Galveston to obtain part of the clinical learning experience required. It is to the benefit of The University of Texas Medical Branch at Galveston for physical therapy trainees to use the clinical facilities of the US Army medical facility, William Beaumont Army Medical Center, to obtain part of the clinical learning experience required.
3. The US Army medical facility, William Beaumont Army Medical Center, and the Department of the Army will benefit from making clinical facilities available to physical therapy trainees from The University of Texas Medical Branch at Galveston. The Army will obtain the trainees' clinical learning experience while contributing to the educational preparation of a future supply of physical therapists.
4. The trainees, during clinical training at the Army medical facility, will be under the jurisdiction of facility officials for training purposes and will follow facility rules.
5. The affiliation is controlled by and subject to title 5, US Code, section 5351-6, 8144 and 8331-2.

II. UNDERSTANDING

1. The US Army medical facility will --
 - a. Make available the clinical and related facilities needed for the clinical learning experience in physical therapy by students enrolled in the basic physical therapy program at The University of Texas Medical Branch at Galveston and who are designated by The University of Texas Medical Branch at Galveston for such learning experience under the supervision of The University of Texas Medical Branch at Galveston.
 - b. Arrange a clinical learning experience schedule that will not conflict with those of the educational institution.
 - c. Designate an AMSC officer to coordinate the trainee's clinical learning experience in the Physical Therapy Section. This will involve planning with faculty or staff members for the assignment of the trainees to specific clinical experiences, including their attendance at selected conferences, clinics, courses, and programs conducted under the direction of the facility.

d. Provide, whenever possible, in connection with the trainees' clinical learning experience, reasonable classroom, conference room, office and storage space for participating trainee and their faculty or staff supervisors, if assigned, and if feasible, dressing and locker room space.

e. Permit, on reasonable request, the inspection of clinical and related facilities by agencies charged with the responsibility for accreditation of The University of Texas Medical Branch at Galveston.

2. The University of Texas Medical Branch at Galveston will --

a. Provide the Commanding Officer of the facility with the names of the trainees to be assigned, the dates and hours they will be assigned, and the clinical service to which they will be assigned, by the beginning of each training period.

b. Where indicated and upon mutual agreement, provide faculty or staff members to assume the responsibility for instruction and supervision of the trainees' clinical learning experience.

c. Have the faculty or staff member, if any, coordinate with designated AMSC officer, the assignment that will be assumed by the trainees while participating in their clinical learning experience, and their attendance at selected conferences, clinics, courses and programs conducted under the direction of the facility.

d. Provide and maintain the personal records and reports necessary for conducting the trainees' clinical learning experience.

e. Enforce rules and regulations governing trainees that are mutually agreed on by the non-Federal institution and the facility.

f. Be responsible for health examinations and such other medical examinations and protective measures as the facility and non-Federal institution mutually find to be necessary.

g. Prohibit the publications by the trainees and faculty or staff members of any material relative to their clinical learning experience that has not been reviewed by the Army medical facility in order to assure that no classified information is inadvertently published, that infringement of patients' right to privacy is avoided and that accuracy with respect to military procedures is complete. Any article written by these trainees which has been based on information acquired through their clinical learning experience must clearly reflect that DA does not endorse the article, even where a review has been made prior to publication. This is accomplished by requiring a disclaimer paragraph to appear with each such article written: "The opinions and conclusions presented herein are those of the author and do not necessarily represent the views of the Army medical facility, the Department of the Army, or any other governmental agency."

III. TRAINING

The training term shall be from 1 July through 30 June of each year. This agreement may be terminated by either institution or the individual trainee by written notification to all concerned. Except under unusual conditions, such information will be submitted prior to the beginning of a particular training period.

Date _____

ATTEST:

FACILITY

John E. Major
John E. Major, M.D.
Brigadier General, Medical Corps
Commanding

UNIVERSITY

William C. Levin
William C. Levin, M.D.
President
The University of Texas Medical Branch
at Galveston

FORM APPROVED:

CONTENT APPROVED:

John Z. Demongest
Office of the General Counsel
The University of Texas System

Charles R. Phillips
The University of Texas System

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 5TH day of DECEMBER, 1985, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Arthur T. Kelly
Executive Secretary, Board of Regents
The University of Texas System

7. U. T. Health Science Center - Houston (U. T. Nursing School - Houston): Appointment of Linda Kaeser, Ph.D., as Initial Holder of the Isla Carroll Turner Professorship in Gerontology Effective January 1, 1986.--Authorization was given to appoint Linda Kaeser, Ph.D., as initial holder of the Isla Carroll Turner Professorship in Gerontology at the U. T. Nursing School - Houston of The University of Texas Health Science Center at Houston effective January 1, 1986.

Dr. Kaeser has accepted the position of Associate Dean for Research at the U. T. Nursing School - Houston effective January 1, 1986.

8. U. T. Health Science Center - Houston: Authorization to Name the Library in the Department of Obstetrics, Gynecology and Reproductive Sciences as the Griff T. Ross, M.D., Ph.D., Memorial Library (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, approval was given to name the library in the Department of Obstetrics, Gynecology and Reproductive Sciences at The University of Texas Health Science Center at Houston as the Griff T. Ross, M.D., Ph.D., Memorial Library in recognition of Dr. Ross' distinguished career as an endocrinologist and educator.

9. U. T. Health Science Center - Houston: Development Board - Approval of Nominee Thereto.--A nominee for membership to the Development Board at The University of Texas Health Science Center at Houston for a three-year term to expire in 1988 was approved without objection.

The name of the nominee will be reported for the record after he has been contacted and his acceptance has been received.

10. U. T. Health Science Center - Houston: Approval of the Harris County Psychiatric Center Leases, Sublease, and Operating Agreement, Agreement Concerning Employment, and Admission, Discharge, and Transfer Policy Statement Among the Texas Board of Mental Health and Mental Retardation, the Commissioners' Court of Harris County, and the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County, Texas.--Upon recommendation of the Health Affairs Committee, the Board:

- a. Authorized the Chairman of the U. T. Board of Regents to execute an instrument substantially equivalent to the document set forth on Pages 302 - 331 entitled "Harris County Psychiatric Center Leases, Sublease, and Operating Agreement" by and among the Texas Board of Mental Health and Mental Retardation, the Commissioners' Court of Harris County, the Board of Trustees of the Mental Health and Mental Retardation Authority on behalf of the Mental Health and Mental Retardation Authority of Harris County, Texas, and the U. T. Board of Regents. on behalf of The University of Texas Health Science Center at Houston;

- b. Authorized President Bulger to execute an instrument substantially equivalent to the document set forth on Pages 332 - 334 entitled "Agreement Concerning Employment" among the Texas Board of Mental Health and Mental Retardation on behalf of the Texas Department of Mental Health and Mental Retardation, the Commissioners' Court of Harris County on behalf of Harris County, Texas, the Board of Trustees of the Mental Health and Mental Retardation Authority on behalf of the Authority, and the U. T. Board of Regents on behalf of U. T. Health Science Center - Houston;
- c. Approved the document set forth on Pages 335 - 340 entitled "Harris County Psychiatric Center Admission, Discharge, and Transfer Policy Statement" by and among the Texas Board of Mental Health and Mental Retardation on behalf of the Texas Department of Mental Health and Mental Retardation, the Commissioners' Court of Harris County on behalf of Harris County, the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County on behalf of the Authority, and the U. T. Board of Regents on behalf of U. T. Health Science Center - Houston, or an instrument substantially equivalent that is agreed to in writing by the Executive Vice Chancellor for Health Affairs;
- d. Approved the Addendum of Clarification to the Lease, Sublease and Operating Agreement for the Harris County Psychiatric Center Among Texas Department of Mental Health and Mental Retardation Authority of Harris County, the Board of Regents of The University of Texas System and Harris County, Texas, set out on Pages 341 - 343 and authorized the Executive Vice Chancellor for Health Affairs to execute said Addendum.

HARRIS COUNTY PSYCHIATRIC CENTER

LEASES, SUBLEASE,

AND

OPERATING

AGREEMENT

Lessors: TEXAS DEPARTMENT OF COUNTY OF HARRIS,
MENTAL HEALTH AND TEXAS
MENTAL RETARDATION

Sublessor: MENTAL HEALTH AND MENTAL RETARDATION
AUTHORITY OF HARRIS COUNTY

Lessee/
Sublessee: THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

Governing
Board and
Hospital
Operator: THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

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Exhibit B:	Floorplans of the Harris County Psychiatric Center
Exhibit C:	Lease between Harris County and MHMRA
Exhibit D:	Contract between Harris County and MHMRA
Exhibit E:	Legal description of the Leased Premises
Exhibit F:	Legal description of the Subleased Premises
Exhibit G:	Rider to General Appropriations Act, 67th Legislature
Exhibit H:	Rider to General Appropriations Act, 69th Legislature
Exhibit I:	Selected Statutes
Exhibit J:	Harris County Psychiatric Center Admission, Transfer, and Discharge Policy Statement
Exhibit K:	Supplemental Agreements
Exhibit L:	Authorized Representatives

Leases, Sublease, and Operating Agreement

THESE LEASES, SUBLEASE, AND OPERATING AGREEMENT are made and entered into this _____ day of _____, 198__, by and between the Texas Board of Mental Health and Mental Retardation on behalf of the Texas Department of Mental Health and Mental Retardation (TDMHMR), the Commissioners Court of Harris County on behalf of Harris County, the Board of Trustees of the Mental Health and Mental Retardation Authority on behalf of the Mental Health and Mental Retardation Authority of Harris County, Texas (MHMRA), and the Board of Regents (the Board of Regents) of The University of Texas System (UTS) on behalf of The University of Texas Health Science Center at Houston (UT Health Science Center).

RECITALS

WHEREAS, pursuant to appropriations bill riders in H.B. 656 of the 67th Legislature and S.B. 179 of the 68th Legislature, TDMHMR was appropriated funds to construct a 125-bed, health-care facility, originally designated as the "Houston Psychiatric Hospital"; and

WHEREAS, the County subsequently agreed to fund the construction of an additional, contiguous and functionally integrated health-care facility premises to support another 125 beds plus needed space for a psychiatric commitment center as a successor facility to the Harris County Psychiatric Hospital; and

WHEREAS, TDMHMR, the County, and MHMRA obtained a Certificate of Need from the Texas Health Facilities Commission to construct and operate the 250-bed health-care facility and

WHEREAS, the County has leased its facility premises, including 125 beds, to MHMRA, but consents to MHMRA's subleasing of this facility premises, including the 125 beds, to the Board of Regents; and

WHEREAS, pursuant to S.B. 1295, the 69th Legislature has provided: (a) that the facility shall be named the "Harris County Psychiatric Center" (hospital); (b) that TDMHMR shall enter into a lease and operating agreement with the Board of Regents for TDMHMR's 125 beds; and (c) that the County and/or MHMRA may enter into a lease and/or sublease operating agreement with the Board of Regents for the County's and/or MHMRA's facility premises for the Board of Regents to operate their 125 beds; and

WHEREAS, under an appropriations rider in House Bill 20, 69th Legislature, Regular Session, the Legislature has further instructed TDMHMR and the Board of Regents concerning the operations of the hospital; and

WHEREAS, TDMHMR, the County, and MHMRA may enter into an agreement whereby TDMHMR will fund the operation of 88 of the 125 County/MHMRA beds; and

WHEREAS, the County and MHMRA will fund the remaining 37 of the 125 County/MHMRA beds; and

WHEREAS, the County and MHMRA desire the Board of Regents to operate their 125 beds; and

WHEREAS, TDMHMR, the County, MHMRA, and the Board of Regents desire to enter into a single instrument containing leases, sublease, and operating agreement with respect to the hospital; and

WHEREAS, the County and MHMRA desire to retain space, to be known as the Harris County Psychiatric Commitment Center, for certain judicial and civil commitment functions within the premises; and

WHEREAS, under the provisions of S.B. 1295, the Texas Legislature has statutorily established and authorized the Harris County Psychiatric Center to be a hospital operated by

the Board of Regents as a university hospital with 250 psychiatric beds; and

WHEREAS, the hospital will not be subject to licensing under the provisions of the Texas Mental Health code because it will not be a state mental hospital nor a private mental hospital as those terms are defined by the Code (Art. 5547-4); and

WHEREAS, the hospital will not be subject to licensing under the provisions of the Texas Hospital Licensing Law because it will be a facility operated by the Board of Regents, an agency of the State of Texas, and thus be exempted by statute (Art. 4437f) from licensing by the State Board of Health and the Health Department,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

Part I. EXHIBITS AND DEFINITIONS

Sec. 1. Exhibits

Attached to this instrument and made a part hereof for all purposes are the following Exhibits:

- EXHIBIT A: S.B. 1295, 69th Legislature;
- EXHIBIT B: Floorplans of the Harris County Psychiatric Center
- EXHIBIT C: Lease between Harris County and MHMRA;
- EXHIBIT D: Contract between Harris County and MHMRA;
- EXHIBIT E: Legal description of the Leased Premises;
- EXHIBIT F: Legal description of the Subleased Premises;
- EXHIBIT G: Rider to H.B. 656, 67th Legislature;
- EXHIBIT H: Rider to H.B. 20, 69th Legislature;
- EXHIBIT I: Selected Statutes;
- EXHIBIT J: Harris County Psychiatric Center Admission, Transfer, and Discharge Policy Statement;
- EXHIBIT K: Supplemental Agreements; and
- EXHIBIT L: Authorized Representatives.

Sec. 2. Definitions

The following definitions apply throughout these Leases, Sublease, and Operating Agreement, unless expressly indicated otherwise or unless the context clearly indicates another meaning:

"Authorized representatives" means those persons authorized in writing by the Texas Board of MHMR, the County, MHMRA, and the Board of Regents, to take such actions as are necessary under these Leases, Sublease, and Operating Agreement; and means those persons currently authorized as listed in Exhibit L, and subsequently authorized persons named by TDMHMR, the County, MHMRA, and the Board of Regents by giving notice thereof pursuant to Section 53, below.

"Beds" mean hospital inpatient beds, including the 125 inpatient beds contained within the TDMHMR premises of the Harris County Psychiatric Center and the 125 inpatient beds contained within the Harris County premises of the Harris County Psychiatric Center.

"Board of Trustees" means the Board of Trustees of MHMRA or its authorized representatives.

"Board of Regents" means the Board of Regents of The University of Texas System or its authorized representatives.

"Commissioners Court" means the Commissioners Court of Harris County, Texas, the elected governing body of Harris County, Texas, authorized to contract for Harris County, or authorized representatives of the Court.

"County" means Harris County, Texas, a body politic and corporate of the State of Texas and the owner of the Harris County premises of the Harris County Psychiatric Center.

"County-supported beds" mean those numbers of beds, but no less than 37 inpatient beds, for which Harris County has appropriated, does appropriate, or is expected to appropriate funds.

"County-supported facilities" mean all the land, buildings, improvements, and facilities of the Harris County Psychiatric Center, including beds and patient care, office, and support areas contained within the premises of the Harris County Psychiatric Center for which Harris County has appropriated, does appropriate, or is expected to appropriate funds.

"Effective Date" means the date upon which the hospital is opened for admission of patients.

"Facilities services" mean those services not directly associated with providing patient care services and include:

- grounds maintenance
- housekeeping
- physical plant
- security
- utilities

"Harris County premises" mean those portions of the Harris County Psychiatric Center for which Harris County holds the fee estate, as legally described in Exhibit F.

"Harris County Psychiatric Center" means the land, buildings and improvements located at 3000 M.A.S., Houston, Harris County, Texas, including the hospital containing 250 inpatient beds, combining the adjacent Harris County premises and TDMHMR premises.

"Hospital" means the Harris County Psychiatric Center operated pursuant to law and the terms and conditions of these Leases, Sublease, and Operating Agreement, with floorplans as found at Exhibit B, and incorporated herein as if fully and completely described.

"Leases, Sublease, and Operating Agreement" means this single instrument, as may be amended, whereby: (a) the Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR leases the Leased Premises to the Board of Regents of The University of Texas System; (b) the Commissioners Court on behalf of Harris County consents to the sublease of the Subleased Premises from the Board of Trustees of MHMRA on

behalf of MHMRA to the Board of Regents; (c) the Board of Trustees of MHMRA on behalf of MHMRA subleases the Subleased Premises to the Board of Regents; (d) the Commissioners Court on behalf of Harris County, at the termination of the County/MHMRA lease, subsequently leases Subleased Premises to the Board of Regents; (e) the Board of Regents delegates to UTS and UT Health Science Center the authority to operate the Leased Premises and Subleased Premises as a single, 250-bed inpatient psychiatric university hospital under the terms of this instrument; and (f) the Commissioners Court on behalf of Harris County and the Board of Trustees of MHMRA on behalf of MHMRA retain responsibility for the Psychiatric Commitment Center Contained within the hospital.

"Leased Premises" means that portion of the Harris County Psychiatric Center for which TDMHMR holds the fee estate, a legal description of which is found at Exhibit E, and incorporated herein as if recited verbatim.

"Lessor" means: (a) the Texas Board of Mental Health and Mental Retardation in the lease between TDMHMR and the Board of Regents of The University of Texas System; and (b) the Commissioners Court of Harris County in the lease between the County and the Board of Regents of The University of Texas System.

"MHMRA" means the Mental Health and Mental Retardation Authority of Harris County or authorized representatives of the Authority.

"Psychiatric Commitment Center" means the area contained within the Harris County premises for patient processing of voluntary admissions and involuntary civil commitments, including the court area contained within the Subleased Premises, the spatial configurations of which are found at Exhibit B.

"State-supported facilities" mean all the land, buildings, improvements, and facilities of the Harris County Psychiatric Center, including beds and patient care, office, and support areas of the Harris County Psychiatric Center for which the Legislature has appropriated, does appropriate, or is expected to appropriate state funds.

"Subleased Premises" means the Harris County premises, a legal description of which is found at Exhibit G and incorporated herein as if recited verbatim; except for that portion of the Harris County premises retained by Harris County and/or MHMRA for the Psychiatric Commitment Center.

"Sublessor" means the Board of Trustees of MHRMA in the sublease between the Board of Trustees and the Board of Regents.

"Telecommunications" means telephones, equipment, cables, services, and automated information systems.

"TDMHMR" means the Texas Department of Mental Health and Mental Retardation or its authorized representatives.

"TDMHMR premises" mean those portions of the Harris County Psychiatric Center for which TDMHMR holds the fee estate, as legally described in Exhibit E.

"Texas Board MHMR" means the Texas Board of Mental Health and Mental Retardation, the governing board of TDMHMR, or its authorized representatives.

"University hospital beds" mean all and any bed within the Harris County Psychiatric Center that is maintained and operated by UT System, consistent with Article 4437f, Section 2(b), V.A.C.S.

"UT Health Science Center" means The University of Texas Health Science Center at Houston, a component institution of The University of Texas System.

"UTS" means the Office of the Chancellor and System Administration of The University of Texas System.

Part II. LEASES AND SUBLEASE PROVISIONS

Sec. 3. Demise of Leased Premises

Pursuant to S.B. 1295, the Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, owner of the Leased Premises, acting as Lessor herein, in consideration of the rents, covenants, agreements and conditions herein set forth, which the Board of Regents on behalf of UT Health Science Center, hereby agrees shall be paid, kept and performed, does hereby lease, let, demise, and rent exclusively unto the Board of Regents, and the Board of Regents does hereby rent and lease from Lessor, the Leased Premises, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease;

SUBJECT, HOWEVER, among other matters, to the rights of access provided for in Section 6;

TO HAVE AND TO HOLD the Leased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease, exclusively unto the Board of Regents, its successors and assigns, beginning on the Effective Date of this Lease and continuing through August 31, 1987. The Lease shall be automatically renewed on the first day of September 1987 and shall continue until it is automatically renewed on the first day of September of each succeeding odd-numbered year unless earlier terminated as provided in Section 55 hereof. Notwithstanding anything contained in these Leases, Sublease, and Operating Agreement to the contrary, this Lease shall be consistent with the provisions of S.B. 1295 as are in effect at any and all times after the Effective Date and shall be based upon and subject to the covenants, agreements, terms, provisions and limitations hereinafter set forth, all of which Lessee covenants and agrees to perform and observe.

Sec. 4. Demise of Subleased Premises

Pursuant to S.B. 1295, the Board of Trustees of MHMRA, acting as Sublessor of the Subleased Premises herein, in consideration of the rents, covenants, agreements and conditions herein set forth, which the Board of Regents hereby agrees shall be paid, kept and performed, does sublease, sublet, demise, and rent exclusively unto the Board of Regents, and the Board of Regents does hereby rent, and sublease from Sublessor, and the Commissioners Court of Harris County as lessor of the Subleased Premises hereby gives its written consent to this Sublease, together with all and singular the rights, privileges and appurtenances

thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Sublease;

SUBJECT, HOWEVER, among other matters, to the rights of access provided for in Section 6;

TO HAVE AND TO HOLD the Subleased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Sublease, exclusively unto the Board of Regents, its successors and assigns, for a term commencing on the Effective Date of this Sublease and, unless sooner terminated pursuant to the provisions hereof, continuing for the period of the Lease, and any extensions thereof, between the County and MHMRA, a copy of which is attached hereto as Exhibit C, and upon and subject to the covenants, agreements, terms, provisions and limitations hereinafter set forth, all of which the Board of Regents covenants and agrees to perform and observe.

Sec. 5. Subsequent Demise of Subleased Premises

Pursuant to S.B. 1295, the Commissioners Court on behalf of Harris County, Texas, owner of the Subleased Premises, in consideration of the rents, covenants, agreements and conditions herein set forth, which the Board of Regents hereby agrees shall be paid, kept and performed, does hereby promise to lease, let, demise, and rent exclusively unto the Board of Regents, and the Board of Regents does hereby promise to rent and lease from Harris County, Texas, the Subleased Premises, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease;

SUBJECT, HOWEVER, among other matters, to the Easement provided for in Section 6;

TO HAVE AND TO HOLD the Subleased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Lease, exclusively unto the Board of Regents, its successors and assigns, beginning on the termination of the Lease between Harris County and the Mental Health and Mental Retardation Authority of Harris County, a copy of which is attached hereto as Exhibit C, and continuing in accordance with the provisions of Section 3 hereto. This Lease shall be consistent with the provisions of S.B. 1295 as are in effect at any and all times thereafter and shall be based upon and subject to the covenants, agreements, terms, provisions and limitations hereinafter set forth, all of which Lessee covenants and agrees to perform and observe.

Sec. 6. Access to Leased and Subleased Premises

The Texas Board MHR on behalf of TDMHR, the Commissioners Court on behalf of Harris County, and the Board of Trustees of MHMRA on behalf of MHMRA, hereby retain in their respective ownership interests the right to have access to their respective premises by way of driveways, walkways, and corridors of the Leased or Subleased premises; and the County retains the right to have access to the Psychiatric Commitment Center contained within the boundaries of the Subleased Premises by way of driveway, walkways and corridors of the Leased or Subleased premises.

Sec. 7. Conditions

The Lease between TDMHMR and the Board of Regents is conditioned upon the acceptance of the Leased Premises from the construction contractor by TDMHMR and the Board of Regents.

The Sublease between MHMRA and the Board of Regents is conditioned upon the acceptance of the Subleased Premises from the construction contractor by the County, MHMRA, and the Board of Regents.

The subsequent Lease between the County and the Board of Regents of the Subleased Premises is conditioned upon the full release by MHMRA of the County of all obligations and responsibilities under the Lease between Harris County and MHMRA as evidenced by a written release.

Sec. 8. Compliance with Law

The Board of Regents covenants that during the Terms of these Leases, Sublease, and Operating Agreement, it will cause compliance, at its sole cost and expense, with all federal and state laws which may be applicable to the Leased Premises, the Subleased Premises, the buildings, improvements and building equipment to be situated on the Leased Premises and the Subleased Premises, the use or manner of use of the Leased Premises and the Subleased Premises or the carrying on of business on the Leased Premises and Subleased Premises.

Sec. 9. Right to Contest Law

The Board of Regents or its authorized representatives shall have the right, and TDMHMR, the County, and MHMRA agree to cooperate to the extent fully reasonable, including if necessary the joining in suit, or the requesting of official opinions of the Texas Attorney General's Office, after written notice to them to contest by appropriate legal proceedings the validity or urge an interpretation of any law, ordinance, rule, regulation or requirement of the nature referred to in Section 8 above and to postpone compliance with the same, provided such contest or request for opinion shall be promptly and diligently prosecuted. TDMHMR, the County, or MHMRA, at their expense, shall also have the right, but not the obligation, to contest any such law, ordinance, rule, regulation or requirement.

Part III. HOSPITAL CONSTRUCTION AND EQUIPMENT

Sec. 10. Construction

- (a) TDMHMR and the County shall pay all construction costs incurred in the construction of the hospital. Notwithstanding anything which may be contained in this Agreement to the contrary, the County shall only be liable for construction costs to the extent such costs are or will be certified available by the County Auditor of Harris County, Texas.
- (b) As part of the construction of the hospital, TDMHMR and the County shall install on the Leased Premises and Subleased Premises any required storm and sanitary sewers, gas, water, telecommunications equipment and cables, and electrical lines and other necessary equipment, facilities, and support

systems to operate a fully accredited psychiatric hospital.

- (c) The hospital and all improvements related thereto which are constructed or otherwise made by the Board of Regents or its authorized representatives to the Leased Premises or Subleased Premises, including alterations permitted under Section 13 below, and subject to the provisions of Sections 11 and 12 below, shall be leased or subleased by the Board of Regents from the date of installation and throughout the Terms of these Leases and Sublease. Permanent fixtures and equipment such as heating and air conditioning equipment, lighting, plumbing fixtures and mechanical components of the structure which cannot be removed from the hospital without materially damaging such improvement shall remain the property of TDMHMR and the County.

Sec. 11. Cost and Expense of Improvements

TDMHMR and the County may, subject to the availability of funds, provide for the construction of improvements at any time on the Leased Premises and Subleased Premises. UT Health Science Center, through the Board of Regents or its authorized representatives, may make improvements on the leased and subleased premises at its own expense and subject to written approval of TDMHMR and the County.

Sec. 12. Fixtures and Equipment

- (a) Any and all newly acquired hospital fixtures and hospital equipment shall be owned by TDMHMR and the County and the entire cost and expense of said fixtures and equipment shall be borne and paid for by them.
- (b) Any and all previously acquired fixtures and equipment, signs, furniture and other personal property furnished by the Board of Regents or its authorized representatives shall be and remain the property of the Board of Regents and may be removed from the Leased Premises and the Subleased Premises by the Board of Regents or its authorized representatives at its cost at any time prior to or upon the termination of this Lease and Sublease; provided, however, the Board of Regents shall be liable for any material damage or injury to the Leased Premises or Subleased Premises occasioned by such removal.
- (c) The Board of Regents agrees that it shall maintain an inventory of all hospital fixtures and hospital equipment, signs, furniture and other personal property, despite the ownership of such property, and at termination of the Agreement, all hospital fixtures and hospital equipment, signs, furniture and other personal property shall be returned to the parties pursuant to a prior mutually acceptable, written agreement, including provision for the return of property to the party that can demonstrate the acquisition of it.

Sec. 13. Alterations

The Board of Regents or its authorized representatives shall have the right at any time and from time to time after completion of the construction, during the Terms hereof, subject to the prior written approval of TDMHMR, the County, and MHMRA, provided funds are available, to make any and all necessary or desirable changes and alterations in or to the Leased Premises or Subleased Premises or improvements there- to. All such permitted changes and alterations shall be immediately considered a part of the hospital, the Leased Premises, and the Subleased Premises. The Board of Regents covenants and agrees that all work done in connection with any alteration shall be done in a good and workmanlike manner and in compliance with all applicable federal, state, and local rules and regulations.

Sec. 14. Covenants Run with Land

All of the covenants, agreements, conditions and restrictions set forth in these Leases, Sublease, and Oper- ating Agreement are intended to be and shall be construed as covenants running with the land, binding upon, inuring to the benefit of and enforceable by the parties hereto and their successors and assigns.

Sec. 15. Right of Inspection

TDMHMR, the County, and MHMRA shall have full right and authority to enter in and upon the Leased Premises, the Subleased Premises, and any building or improvements to be constructed by the Board of Regents thereon, at any and all reasonable times during normal business hours during the Terms of these Leases and Sublease upon reasonable notice to the Board of Regents and without interference with the use or business of the Board of Regents for the purpose of inspec- ting the same, without the interference or hindrance by the Board of Regents or by agents or representatives.

Part IV. RENTS, ASSIGNMENTS, SUBLETTING

Sec. 16. Rent

The Board of Regents of The University of Texas System, pursuant to S.B. 1295, shall pay one dollar (\$1.00) per year to TDMHMR for the Lease; to MHMRA for the Sublease; and to the County for the subsequent Lease.

Sec. 17. Subletting and Assignments

- (a) Subject to the prior written approval of TDMHMR, the County, and MHMRA, the Board of Regents shall have the right to sublet all or any portion of the Leased Premises, the Subleased Premises or the improvements constructed thereon by the Board of Regents for activities consistent with or related to the construction and operation of the hospital; provided however that when prior written approval is required the Board of Regents may consider this written agreement to provide sufficient approval if no written response to its request for approval is forthcoming within 60 days after receipt of the request by TDMHMR, the County, or MHMRA. Any sublease or assignment shall be subject and

subordinate to these Leases and Sublease. Any net excess of revenues over expenses under any such sublease shall be applied to the expenses incurred by the hospital in the manner specified and as shall be provided in the written approval.

- (b) No prior written consent shall be required for the assignment, subletting or transfer of these Leases and Sublease in the event that such assignment, subletting or transfer occurs in connection with a reorganization of The University of Texas System or component institutions by a mere change in identity, form or place of organization.

Part V. MISSION; USE OF PREMISES

Sec. 18. Mission

- (a) The Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, the Commissioner's Court on behalf of Harris County, the Board of Trustees of MHMRA on behalf of MHMRA, and the Board of Regents recognize and agree that the Harris County Psychiatric Center has been established with the mission of caring for mentally ill persons of Harris County and with the uniquely special and additional missions of The University of Texas Health Science Center at Houston conducting research into the causes and cures of mental illness and the education of professionals in the care of the mentally ill, all in accordance with the legislative intent of S.B. 1295. The Harris County Psychiatric Center shall be operated pursuant to the provisions of law, including S.B. 1295 (Exhibit A), and any amendments thereto; any riders to General Appropriations Acts of the Legislature, including those found at Exhibits G and H; the Rules and Regulations of the Board of Regents of The University of Texas System; and the Harris County Psychiatric Center Admission, Discharge, and Transfer Policy Statement, and any amendments thereto, as set forth in Exhibit J.
- (b) Consistent with the aforesaid missions, one significant goal of the Harris County Psychiatric Center is to decrease the numbers of necessary short-term admissions of persons from Harris County to TDMHMR's Austin State Hospital. In order to achieve this goal, a plan of operation shall be established to:
- (1) divert potential voluntary admissions to the Austin State Hospital, except when those admissions are through specific arrangement with the superintendent of the Austin State Hospital;
 - (2) provide services to court-committed clients within the limits of planned bed allocations; and
 - (3) deliver short-term, crisis stabilization services to both voluntary and involuntary clients, recognizing that Austin State Hospital will continue to be the appropriate placement for clients requiring longer term inpatient services.

Sec. 19. Use of Premises

The Board of Regents of The University of Texas System shall cause the Leased Premises and the Subleased Premises to be used consistent with the mission for the operation of this psychiatric hospital and continue such use for the Terms of these Leases and Sublease. The Board of Regents covenants that the Leased Premises and the Subleased Premises shall be used and maintained throughout the Terms of these Leases, Sublease, and Operating Agreement as an inpatient hospital facility for the screening, diagnosis, and treatment of persons requiring short-term psychiatric care, and for research and education in the care and cure of mentally ill persons. The Board of Regents further covenants not to abandon the hospital; not to use the building for any purpose other than as stated herein; and cause all hospital beds contained within the Harris County Psychiatric Center to be operated as teaching and psychiatric university hospital beds.

Part VI. ORGANIZATION OF HOSPITAL

Sec. 20. Governance

The Board of Regents of The University of Texas System shall be the governing body of the hospital and shall be responsible for operation of the hospital and development of all policies with respect to the hospital in addition to those set out in Exhibit J. The Board of Regents shall establish general operating policies and cause UTS and the UT Health Science Center to carry them out. The Board of Regents shall be accountable and responsible for all medical, professional, and ethical affairs of the hospital.

In order to provide the Board of Regents with an informed basis for reviewing the performance of UT Health Science Center hereunder, the President of UT Health Science Center shall prepare and deliver to UTS from time to time the reports and financial statements required by this Agreement.

Sec. 21. Delegation of Management of Hospital

The Board of Regents delegates to UT Health Science Center the general authority to manage the day-to-day operations of the hospital and to perform functions consistent with the role of manager of the hospital.

Sec. 22. Management Objective

The parties agree that it is the objective of UT Health Science Center as manager of the hospital, in carrying out its obligations and responsibilities under this agreement, to manage the operations of the hospital in such manner as to support and fulfill the mission and the designated uses of the hospital as set forth in Part V above, to the extent that funds are made available as provided in Section 25, below, pursuant to S.B. 1295.

Sec. 23. Patients

- (a) All patients of the hospital shall be available to the education programs of UT Health Science Center; provided, however, that patients shall be available

for research programs only after their consent has been obtained under applicable law.

- (b) In accordance with the policies set out in Exhibit J and with the provisions of the Texas Mental Health Code, and other selected statutes as set out in Exhibit I, UT Health Science Center through the Director of the hospital shall retain final decision-making authority over the admission of patients and the assignment of beds, patient management, transfer, and discharge.

Sec. 24. Responsibilities of Parties

- (a) For purposes of these Leases, Sublease, and Operating Agreement, TDMHMR:
 - (1) shall seek legislative appropriations: for the state-supported operations of the hospital; for any further construction at the hospital; for equipment, both fixed and movable; for utilities, including data processing and telecommunications; for maintenance, repairs, renovations, and additions; and for any damage or destruction;
 - (2) shall transfer as local funds to UT Health Science Center any appropriations to TDMHMR for the hospital as currently provided and in accordance with General Appropriations Acts.
- (b) For purposes of these Leases, Sublease, and Operating Agreement, the County or MHMRA, as provided for in written agreements between them:
 - (1) shall initially locate and operate the Harris County Psychiatric Commitment Center on the premises of the hospital;
 - (2) shall be responsible for the Harris County Psychiatric Commitment Center, both in terms of operation and in terms of funding;
 - (3) shall pay UT Health Science Center for:
 - (i) 15% of those start-up costs incurred in fiscal year 1985-1986 associated with the phase-in of the hospital, which costs shall include, but shall not be limited to, the telephone system, hospital information system, enhancements to the security system, television system and microwave dish system, and personnel; these start-up costs shall be in five equal, annual payments beginning in fiscal year 1986-1987;
 - (ii) an amount of money, for fiscal year 1986-1987 and every fiscal year thereafter, to be negotiated before each such fiscal year by the County, MHMRA, and the UT Health Science Center, which shall approximate fifteen percent (15%) of the budgeted operating expenses of the hospital as prepared by the UT Health Science Center for each such fiscal year; with payments being made in quarterly installments with the first installment

due on September 1 of each fiscal year; and with fifteen percent (15%) of all revenues received by the hospital for services provided by the hospital under this Agreement being credited against the annual budget for the hospital;

- (iii) those facilities services, associated with the Psychiatric Commitment Center which UT Health Science Center will provide, an amount of money in addition to that provided in (ii), above (but in no way resulting in paying twice for the same services) equal to the result of multiplying the total budget for these services by the proportion of the square footage associated with the Psychiatric Center to the total hospital square footage; (at the end of the fiscal year, review of actual expenditures will be made and adjustments reflected in the next year's budget) and will pay the UT Health Science Center for any telecommunications and duplicating services and materials provided to the Psychiatric Commitment Center an amount of money equal to the actual documented costs of such services and materials;
 - (4) shall continue to locate and operate the Harris County Psychiatric Commitment Center upon the premises of the hospital so long as the operation is considered feasible in the judgment of TDMHMR, the County, MHMRA, and UT Health Science Center;
 - (5) shall obtain funding: for the county-supported facilities of the hospital through county appropriations, which may include funds made available by MHMRA or from gifts and grants; for any further construction at the hospital; for equipment, both fixed and movable; for utilities, including data processing and telecommunications; for maintenance, repairs, renovations, and additions; for any damage or destruction; and for hospital operations, which latter funding shall support the numbers of beds identified as county-supported beds, exclusive of any additional cost of operating the Harris County Psychiatric Commitment Center, which costs shall remain the responsibility of the County and MHMRA; and
 - (6) shall transfer any monies due or funds appropriated to UT Health Science Center on a quarterly basis.
- (c) Notwithstanding any provision of Section 24(b), above, to the contrary, the funding required to be paid for the County supported facilities of the hospital shall be subject to and conditioned upon appropriations being made from time to time by the County in which such funds may be lawfully used for the purposes of the hospital; and the County and MHMRA hereby recognize and agree that, should funds not be sufficiently appropriated by the County, the operation of the County supported facilities by the Board of Regents may be decreased to the level of

operation which any such appropriations can support.

- (d) For purposes of these Leases, Sublease, and Operating Agreement, UTS and UT Health Science Center, consistent with the Rules and Regulations of the Board of Regents:
- (1) shall continue to maintain and operate the UT Health Science Center as an accredited, nonsectarian educational institution;
 - (2) shall manage and operate the hospital through a Director who shall be appointed by the Board of Regents as provided for, below, at Section 26.
 - (3) shall prepare budgets for the hospital's operation;
 - (4) shall assign to the hospital, to the extent that funds are made available by TDMHMR, the County, and MHMRA, a sufficient number of qualified physicians, who are members of UT Health Science Center faculty and who shall constitute the Organized Staff, to provide, direct and supervise medical services to all patients of the hospital;
 - (5) shall review credentials and annually appoint the hospital's Organized Staff;
 - (6) shall approve and enforce the Bylaws of the Organized Staff;
 - (7) shall assign to the hospital an appropriate number of residents in training to participate in patient care under the direction of the Organized Staff;
 - (8) shall cause the hospital to be operated in accordance with the standards for accreditation of the Joint Commission on Accreditation of Hospitals, to seek accreditation by JCAH, and to maintain accreditation once it is obtained;
 - (9) shall keep and maintain the hospital, to the extent that funds are made available, in good condition and repair, consistent with ordinary wear and tear;
 - (10) shall seek, obtain, and keep in force any necessary permits for the operation of the hospital consistent with its mission and designated uses; and not suffer any avoidable revocations thereof;
 - (11) shall use the hospital to provide the maintenance and day-to-day operations of a university, inpatient, public mental health facility;
 - (12) shall seek, obtain, and keep in force any available certifications to enable the hospital to receive any available Medicare and Medicaid reimbursements; and not suffer any avoidable revocations thereof;

- (13) (i) shall purchase and maintain, to the extent permitted under law, insurance policies, including malpractice insurance, or other professional liability insurance to protect the hospital and extend, to the extent permitted by law, coverage of available self-insurance programs;
- (ii) may purchase and maintain in effect a policy or policies of insurance covering the hospital and the contents, in an amount not less than ninety percent (90%) of the insurable value of the Building, providing protection against perils included within the standard Texas form of fire and extended coverage insurance policy, together with insurance against sprinkler damage, vandalism and malicious mischief, and such other risks as the County and TDMHMR may from time to time determine and with any such deductibles as the County and TDMHMR may from time to time determine. UT Health Science Center shall furnish to TDMHMR and the County certificates of insurance evidencing such coverage. The County and MHMRA shall be notified of any changes in the policy or cancellation during the term of this lease.
- (iii) may purchase any other policies of insurance which UT Health Science Center may deem appropriate or necessary to fully protect the interests of the parties hereto;
- (14) shall control and be responsible for the physical security of patients, employees, independent contractors, subcontractors, volunteers, invitees, and visitors within the hospital, to the extent, and for so long as, funds are made available for same;
- (15) shall cause all financial transactions and performance programs to be appropriately audited;
- (16) shall cause the admission, discharge, and transfer policies as found in Exhibit J to be established, enforced, and as necessary amended;
- (17) shall cause appropriate patient data to be made available to TDMHMR, the County, and MHMRA, including but not limited to diagnosis, treatment, and lengths of stay; and to cause such data to be retained for a period of five years or such the period of time as mutually agreed upon by the parties or as required by law, whichever is longer, to the extent that funds and space are available for such retention;
- (18) shall cause a priority of patient treatment policy to be established;
- (19) shall apply one standard of care and level of service throughout the hospital;

- (20) shall join with TDMHMR, the County, and MHMRA in examining and evaluating the services provided under the Agreement, in conducting periodic on-site surveys, and in auditing or inspecting the hospital's financial and service records relating to said services at any time so long as such audit or inspection is on a planned and scheduled basis; and
- (21) shall seek, obtain, and keep in force any certifications or licenses required by law in order to provide services to the committed and voluntary patients of the hospital, including services to children, adolescents, and adults for mental, alcohol or drug abuse disorders.

Part VII. HOSPITAL OPERATIONS

Sec. 25. Standard of Performance

UT Health Science Center shall perform all of the duties herein required of it, in such a manner as to assure that the operations of the hospital support and fulfill its mission.

Sec. 26. Director

The Board of Regents shall appoint the Director of the hospital upon the recommendation of the President of UT Health Science Center. The Director of the hospital shall be the chairman of the UT Health Science Center's Department of Psychiatry or a person nominated by the Chairman and recommended by the President. Such appointment shall continue unless and until the Board of Regents withdraws its approval.

Sec. 27. Cooperation of Parties

The Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, the Commissioners Court on behalf of Harris County, the Board of Trustees of MHMRA on behalf of MHMRA, and the Board of Regents on behalf of UTS and UT Health Science Center at Houston recognize their mutual interdependence in carrying out the terms of these Leases, Sublease, and Operating Agreement and agree that there shall be consultation and good faith cooperation among all persons representing each entity.

Sec. 28. Consultation

Appropriate consultation and support departments (i.e., facilities, equipment and non-physician personnel) for the hospital may be obtained through contracts for services.

Sec. 29. Joint Employment

Nothing contained in these Leases, Sublease, and Operating Agreement shall prohibit additional agreements providing for the joint employment of physicians and other personnel and for the pro rata apportionment of their salaries.

Sec. 30. Employee Relations

To the extent, and for so long as funds are made available, the Board of Regents authorizes UT Health Science Center to recruit, employ, train, promote, assign and set rates of compensation, suspend or terminate employees in accordance with the Rules and Regulations of the Board of Regents, all as necessary for the fulfillment its obligations under these Leases, Sublease, and Operating Agreement for the proper operation and maintenance of the hospital. All such employees shall be employees of and shall be carried on the payroll of UT Health Science Center and shall not be employees of TDMHMR, the County, or MHMRA. UT Health Science Center may enter into agreements with TDMHMR and MHMRA supplemental to these Leases, Sublease, and Operating Agreements with respect to considerations of employment of present or former employees of TDMHMR and MHMRA, such as those described in Exhibit K.

Part VIII. SERVICES AND FUNCTIONS

Sec. 31. Administrative Services

UT Health Science Center may provide the hospital directly or by contracts for services, administrative services required for operation of the hospital.

Sec. 32. Planning

Planning shall be consistent with the Rules and Regulations of the Board of Regents of The University of Texas System and the Bylaws of the Organized Staff.

Sec. 33. Quality Assurance Program

Upon the recommendation of the President of The University of Texas Health Science Center at Houston, and upon the request of the Executive Vice Chancellor for Health Affairs of UTS, the Director shall develop, in consultation with TDMHMR, the County, and MHMRA, and assist in the implementation of a Quality Assurance Program. Implementation services shall include preparation of forms and other documentation, training of quality assurance personnel and the holding of orientation sessions for members of the Organized Staff.

Sec. 34. Preparation of Appropriation Requests and Budget Documents

UT Health Science Center shall prepare all annual budget requests in accordance with the requirements of the parties to these Leases, Sublease, and Operating Agreement.

Sec. 35. Rates

The Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, the Commissioners Court on behalf of Harris County, the Board of Trustees of MHMRA on behalf of MHMRA and the Board of Regents recognize the importance of maintaining room and other rates which enable the hospital to pay those of its obligations not covered by appropriations, while at the same time contain the cost of health care. It shall be the primary intent of this Agreement that services

be rendered without regard to the ability of a person to pay. UT Health Science Center shall develop and effect a system to ascertain the ability to pay and other financial circumstances of all persons to whom the hospital provides services in accordance with the Harris County Psychiatric Center Admission, Transfer and Discharge Policy Statement. If it is determined that the person receiving the services has no property or income out of which the hospital should be reimbursed and those persons legally responsible for the support of the person receiving the services have no property or income out of which the hospital should be reimbursed, the hospital shall provide the services free of cost. Otherwise, a reasonable fee for services shall be charged to the person receiving the services or against the persons legally responsible for the person's support based upon their combined ability to pay. TDMHMR, the County, MHMRA, and UT Health Science Center shall develop mutually agreeable sliding scales for fees for services based upon the patient's and other responsible person's combined ability to pay. The sliding scale fee structure shall be recommended to UTS who shall then recommend the structure to the Board of Regents for approval. The sliding scale fee shall take into account the financial obligations of the hospital, the level of rates at other hospitals, the importance of providing quality health care at a reasonable cost and the financial abilities of its patients.

Part IX. ANCILLARY AGREEMENTS

Sec. 36. Ancillary Agreements

UT Health Science Center shall, in the name of and for the account of the Board of Regents of The University of Texas System, negotiate and enter into such term agreements as it may deem necessary or advisable, for the furnishing of utilities, services, concessions, and supplies for the maintenance and operation of the hospital, in accordance with the Rules and Regulations of the Board of Regents.

Part X. UTILITIES AND PHYSICAL PLANT

Sec. 37. Utilities

UT Health Science Center shall obtain utility and sewer services required for use of the Leased Premises and the Subleased Premises. UT Health Science Center shall pay or cause to be paid all charges for gas, electricity, water, sewer service, telecommunications, and other utilities obtained for the Leased Premises and the Subleased Premises during the Terms of these Leases and Sublease and all sewer use charges or similar charges or assessments for utilities levied against the Leased Premises and the Subleased Premises during the Terms of these Leases and Sublease.

Sec. 38. Repairs and Maintenance

The Board of Regents covenants, throughout the Terms hereof, to take good care of all improvements constructed upon the Leased Premises and Subleased Premises and, subject to the provisions of these Leases and Sublease, elsewhere set forth, to keep the same in good working order and condition, excepting reasonable wear and tear, and to make all necessary repairs thereto, interior and exterior, structural and nonstructural. UT Health Science Center shall keep and

maintain all portions of the improvements upon the Leased Premises and Subleased Premises and all sidewalks, passage-ways and driveways within the Leased Premises and Subleased Premises in a clean and orderly condition.

Sec. 39. Mechanics' Liens

The Board of Regents shall not suffer or permit any mechanics' or materialmen's liens to be enforced against the Leased Premises or Subleased Premises or against the fee estates of TDMHMR or the County as to the Leased Premises or the Subleased Premises, by reason of work, labor, services or materials supplied or claimed to have been supplied to the UT Health Science Center on behalf of the hospital or anyone holding the Leased Premises or Subleased Premises, or any part thereof, through or under Lease or Sublease. If any such mechanics' or materialmen's liens shall at any time be filed against the Leased Premises or the Subleased Premises, the Board of Regents shall, within ninety (90) days after notice to the Board of Regents of the filing thereof, cause the same to be discharged of record or make provisions acceptable to TDMHMR, the County, and MHMRA for the discharge of such lien; provided, however, that the Board of Regents shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings.

Sec. 40. Damage and Destruction

- (a) If, at any time during the Terms of these Leases and Sublease, the Leased Premises or the Subleased Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, the Board of Regents shall, to the extent only that funds are made available by the Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, the Commissioners Court on behalf of Harris County, and the Board of Trustees of MHMRA on behalf of MHMRA, repair, alter, re-store, replace or rebuild the same to such extent and in such manner as the parties may deem appropriate.
- (b) Notwithstanding the provisions of (a) above, the Board of Regents shall have the right to terminate these Leases or Sublease if at any time during the Terms of these Leases and Sublease any improvements on the Leased Premises or the Subleased Premises (including property of the Board of Regents) shall be damaged or destroyed by fire or any other casualty whatsoever to the extent that it would not be in the best interest of TDMHMR, the County, MHMRA, and the Board of Regents to repair such damage.

Part XI. ACCREDITATION,
GOVERNMENTAL REGULATIONS

Sec. 41. Joint Commission on Accreditation of Hospitals

UT Health Science Center shall assure that the administrative practices and procedures of the hospital meet the standards of the Joint Commission on Accreditation of Hospitals ("JCAH"), and shall encourage and assist the

Organized Staff to ensure that medical practices and procedures meet such standards.

Sec. 42. Confidentiality of Records

UT Health Science Center shall protect the confidentiality of its records and those of the hospital, and shall comply with all applicable federal, state and local laws and regulations relating to the records including maintaining sufficient records to demonstrate compliance with the standards of the JCAH.

Sec. 43. Federal Government Access

To the extent required by Section 1861(v)(1)(I) of the Federal Social Security Act:

- (a) Until the expiration of four (4) years after the furnishing of services pursuant to this Lease, Sublease, and Operating Agreement, UT Health Science Center shall make available, upon written request to the Secretary of Health and Human Services, or upon request to the Comptroller General, or any of their duly authorized representatives, these Leases, Sublease, and Operating Agreement, any books, documents and records of UT Health Science Center that are necessary to certify the nature and extent of the costs claimed to Medicare and Medicaid programs with respect to the services provided under this agreement.
- (b) If UT Health Science Center carries out any of the duties of these Leases, Sublease, and Operating Agreement through a subcontract, with a value or cost of Ten Thousand Dollars (\$10,000.00) or more over a twelve-month period, with a related organization, until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, UT Health Science Center shall cause the related organization to make available, upon written request to the Secretary of Health and Human Services, or upon request to the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents and records of such related organization that are necessary to verify the nature and extent of the costs claimed to Medicare and Medicaid programs with respect to the services provided under these Leases, Sublease, and Operating Agreement.

Part XII. LIABILITY

Sec. 44. Non-Assumption of Liabilities

The Board of Regents shall not by entering into and performing these Leases, Sublease, and Operating Agreement, or by UT Health Science Center managing the hospital, assume or become liable for any of the obligations, liabilities or debts of TDMHMR, the County, or MHMRA, its employees, doctors, residents, agents, or servants; nor shall TDMHMR, the County or MHMRA assume or become liable for any of the obligations, liabilities or debts of the Board of Regents or the UT Health Science Center, its employees, doctors, residents, agents, or servants.

Part XIII. MISCELLANEOUS PROVISIONS

Sec. 45. Public Improvements

The Board of Regents agrees, from time to time, to:

- (a) join in any application for all necessary governmental permits and authorizations in connection with construction of the hospital;
- (b) join in the conveyance of any nonexclusive easement to be conveyed for which no consideration is given;
- (c) join in the creation, modification, realignment or release of any such nonexclusive easement; and
- (d) join in any other instrument reasonably necessary to accomplish the foregoing.

Sec. 46. Force Majeure

The time within which either party hereto shall be required to perform any act under these Leases, Sublease, and Operating Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto; provided, however, that written notice of such force majeure be given within a reasonable time period to all parties hereto.

Sec. 47. Quiet Possession

The Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, the Commissioners Court on behalf of Harris County, and the Board of Trustees of MHMRA on behalf of MHMRA covenant to the Board of Regents that if the Board of Regents shall discharge the covenants, agreements and obligations herein set forth to be performed, the Board of Regents shall have and enjoy, during the Terms hereof the quiet and undisturbed possession of the Leased Premises and the Subleased Premises.

Sec. 48. Waivers

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless executed by such party or by a duly authorized officer or a duly authorized agent of the particular party. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by TDMHMR, the County, or MHMRA or payment by the Board of Regents of any rentals at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

The acceptance by TDMHMR, the County, or MHMRA of any performance, rental, additional rent or other sum or sums of money or other charges herein reserved to be paid or provided to be done by the Board of Regents from any person, firm, or corporation other than the Board of Regents shall not discharge the Board of Regents or any others liable with the Board of Regents except to the extent of the performance any payment so accepted by TDMHMR, the County, or MHMRA from liability to pay the rental, additional rent or other sum or sums of money and other charges herein provided to be paid by the Board of Regents or from liability to perform any of the terms, covenants, conditions and agreements herein set forth.

Sec. 49. Applicable Law

These Leases, Sublease, and Operating Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

Sec. 50. Partial Invalidity

If any term, provision, condition or covenant of these Leases, Sublease, and Operating Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of these Leases, Sublease, and Operating Agreement, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of these Leases, Sublease, and Operating Agreement shall be valid and enforceable to the fullest extent permitted by law.

Sec. 51. Construction of Agreement

These Leases, Sublease, and Operating Agreement shall be construed consistent with Senate Bill 1295; the rider to the General Appropriations Act, 67th Legislature, as set forth in Exhibit G; the rider to the General Appropriations Act, 69th Legislature, as set forth in Exhibit H; the Rules and Regulations of the Board of Regents of The University of Texas System; and the Handbook of Operating Procedures of The University of Texas Health Science Center at Houston; the Harris County Psychiatric Center Admission, Discharge, and Transfer Policy Statement; and all Supplemental Agreements attached hereto.

Sec. 52. No Partnership or Joint Venture

No partnership or joint venture is intended or created by this Lease, Sublease, and Operating Agreement. It is expressly agreed and understood by and between the parties hereto that the work performed hereunder by UT Health Science Center shall be done and performed pursuant to S.B. 1295 and this Agreement, under the sole supervision, management, direction and control of UT Health Science Center in accordance with the provisions set out herein; TDMHMR, the County, and MHMRA shall look to the Board of Regents for results only and TDMHMR, the County, and MHMRA shall have no right at any time to direct or supervise the Board of Regents, UT Health Science Center, its servants or employees in the performance of its work hereunder.

Sec. 53. Notices

Any Notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Lease, Sublease, and Operating Agreement provided or permitted to be given, made or accepted by the parties to any other party must be in writing, and may, 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, or if the party or parties to be notified be incorporated, to an officer of such party, or by prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Lease, Sublease, and Operating Agreement, from and after the expiration of five (5) days after it is so deposited. Notice given 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 Texas Board of Mental Health and Mental Retardation on behalf of TDMHMR, addressed to:

Board of Texas Department Mental Health
and Mental Retardation
909 West 45th Street
Austin, Texas 78756
Attention: Dr. Gary Miller, Commissioner

with a copy to:

MHMR Legal Services
909 West 45th Street
Austin, Texas 78756
Attention: Mr. W. Kent Johnson

If to the Commissioners Court on behalf of Harris County, addressed to:

with a copy to:

If to the Board of Trustees of MHMRA on behalf of MHMRA, addressed to:

with a copy to:

If to The Board of Regents of The University of Texas System, addressed to:

The Board of Regents of The University
of Texas System
c/o The University of Texas System
Office of the Board of Regents
201 West Seventh Street
Austin, Texas 78701
Attention: Executive Secretary
Arthur H. Dilly

with copies to:

The University of Texas Health
Science Center at Houston
P.O. Box 20036
Houston, Texas 77225
Attention: President
Dr. Roger J. Bulger

Office of General Counsel
The University of Texas System
Attention: John L. Darrouzet, Attorney
201 West Seventh Street
Austin, Texas 78701

However, the parties hereto and their respective heirs, successors, legal representatives and assigns shall have the right from time to time and at any time to change their respective addresses and shall have the right to specify as their respective addresses and other addresses within the United States of America by at least fifteen (15) days' written notice to the other party; provided, however, if at any one time more than one person or party owns an interest in the Leased Premises or Subleased Premises, nevertheless such persons or parties may not designate more than five places or addresses to receive notice pursuant to the terms hereof. Each party shall have the right to change such party's address for purposes of notice, by giving written notice to the other party in the manner herein set forth.

Sec. 54. Amendments

These Leases, Sublease, and Operating Agreement may be amended only by written instrument executed by authorized representatives of the parties hereto.

Part XIV. TERMS

Sec. 55. Terms; Termination

- (a) The Lease and Operating Agreement between the Texas Board of Mental Health and Mental Retardation and the Board of Regents of The University of Texas System shall be for the term set out in Section 3, above.
- (b) The Sublease between the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County and the Board of Regents of The University of Texas System shall be for the term set out in Section 4, above.
- (c) The Operating Agreement between the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County and the Board of Regents of The University of Texas System shall be

for the combined terms set out in Sections 4 and 5, above.

- (d) The Lease between the Commissioners Court of Harris County and the Board of Regents of The University of Texas System shall be for the term set out in Section 5, above.
- (e) The Operating Agreement between the Commissioners Court of Harris County and the Board of Regents of The University of Texas System shall be for the combined terms set out in Sections 4 and 5, above.
- (f) Subject to the provisions of S.B. 1295, and any amendments thereto, the Leases, Sublease, and Operating Agreement may be terminated to the extent permitted by law if any of the terms, conditions, provisions, or covenants of the Leases, Sublease, and Operating Agreement are not complied with; provided, however, that prior to such termination, written notice of intent to terminate under this subsection must be given to the other parties prior to July 1 of any even-numbered year; and provided further, that such termination shall not become effective any sooner than the August 31 following the previous July's notice, unless otherwise provided by law; notice of termination may be withdrawn.

EXECUTED as of the day and year first above written.

Texas Department of
Mental Health and Mental
Retardation

Attest:

By:

Barbara Miller
Secretary
MHMR Board

R. Coke Mills
Chairman
Texas Board MHMR

Form Approved:

Content Approved:

W. Kent Johnson
Director of Legal Services

Dr. Gary Miller
Commissioner

County of Harris, Texas

Attest:

By:

Name:
Harris County Clerk

Jon Lindsay
Harris County Judge

Form Approved:

Harris County Attorney's
Office

Mental Health and Mental
Retardation Authority of
Harris County

Attest:

By:

Name:
Secretary
MHMRA Board of Trustees

Name:
Chairman
MHMRA Board of Trustees

Form Approved:

Content Approved:

Bruce Jocz
Attorney for MHMRA

Eugene Williams
Executive Director

The Board of Regents of
The University of Texas
System

Attest:

By:

Arthur H. Dilly
Executive Secretary to the
Board of Regents

Jess Hay
Chairman
The Board of Regents

Recommended for Approval:

Content Approved:

Dr. Roger J. Bulger
President
The University of Texas
Health Science Center at
Houston

Dr. Charles B. Mullins
Executive Vice Chancellor
for Health Affairs

Form Approved:

Office of General Counsel
The University of Texas
System

Exhibit K

Agreement Concerning
Employment

Texas Department of Mental
Health and Mental Retardation

County of Harris, Texas

Mental Health and Mental
Retardation Authority of
Harris County

The Board of Regents of
The University of Texas
System

November 1985

Agreement Concerning Employment

This Agreement Concerning Employment is made and entered into on this _____ day of _____, 1985, between the Texas Board of Mental Health and Mental Retardation on behalf of the Texas Department of Mental Health and Mental Retardation (TDMHMR), the Commissioners' Court of Harris County on behalf of Harris County, Texas (the County), the Board of Trustees of the Mental Health and Mental Retardation Authority on behalf of the Authority (MHMRA), and the Board of Regents of The University of Texas System on behalf of The University of Texas Health Science Center at Houston (UTHSCH).

1. TDMHMR, the County and MHMRA agree that present and former employees of the Texas Research Institute of Mental Sciences (TRIMS), which is a part of TDMHMR now in dissolution, and present employees of MHMRA may be hired by UTHSCH as employees of the Harris County Psychiatric Center on a priority consideration basis.
2. By "priority consideration", TDMHMR, the County, MHMRA, and UTHSCH agree to mean the consideration UTHSCH will give to the present or former TRIMS employees and present MHMRA employees who apply for employment with UTHSCH at the Harris County Psychiatric Center during the period of time beginning October 1, 1985, and ending December 31, 1985, whereby for a given position for which a present or former TRIMS employee or present MHMRA employee applies, UTHSCH agrees to choose such employee over any other applicant not currently employed by UTHSCH, when taken as a whole the qualifications of all applicants are otherwise equally valued.
3. TDMHMR, the County, and MHMRA agree that UTHSCH may proceed to interview persons for employment at the Harris County Psychiatric Center and, with the goal of providing a smooth transition, may issue letters of intent to persons UTHSCH would subsequently hire, subject to such conditions as the following:
 - (a) the individual's expression of intent to accept a subsequent final offer;
 - (b) the final approval of the Leases, Sublease, and Operating Agreement of the Harris County Psychiatric Center by the parties to this Agreement;

- (c) the availability of funds to employ the individual;
and
 - (d) the individual's continued favorable employment in
his or her current position.
4. All parties to this Agreement understand and acknowledge that any person hired by UTHSCH shall be subject to all personnel policies of UTHSCH including its 90-day probationary period.

Executed this _____ day of _____, 1985.

TDMHMR

Harris County, Texas

Dr. Gary Miller
Commissioner

Jon Lindsay
Harris County Judge

MHMRA

UTHSCH

Eugene Williams
Executive Director

Dr. Roger Bulger
President

Harris County Psychiatric Center
Admission, Discharge, and Transfer
Policy Statement

The Texas Board of Mental Health and Mental Retardation on behalf of the Texas Department of Mental Health and Mental Retardation (TDMHMR), the Commissioners' Court of Harris County on behalf of Harris County, the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County on behalf of the Authority (MHMRA), and the Board of Regents of The University of Texas System on behalf of The University of Texas Health Science Center at Houston, adopt the following policy statement with respect to the admission, discharge, or transfer of patients at the Harris County Psychiatric Center:

Sec. 1. Harris County Psychiatric Center

- (a) The Harris County Psychiatric Center, a 250-bed short-term, psychiatric hospital operated by The University of Texas Health Science Center at Houston shall offer a broad range of psychiatric services primarily to Harris County residents who are children, adolescents, or adults.
- (b) This publicly-funded hospital, will be accredited by JCAH; will be Medicare and Medicaid approved; and will comply with all applicable federal, state, and local laws pertaining to the treatment of mental health, alcohol, and substance abuse disorders.
- (c) The hospital will not have an emergency room.
- (d) The occupancy rate of the hospital will be maintained at the highest levels possible and it shall be the goal of the hospital to serve approximately 3000 persons or more per year, with special emphasis to be given to Harris County residents who are indigent.
- (e) Patient rights specified by statutory law shall be observed at the hospital.

Sec. 2. Services and Bed Allocations

- (a) Mental health, alcohol, and substance abuse services will be provided in acute and intermediate care beds.
- (b) The hospital will provide screening, referral, diagnosis and evaluation, individual needs assessment, and assistance to courts in commitment proceedings.
- (c) Persons with severe medical problems or emergent physical medical problems will not be offered services. Appropriate assistance to such persons will be provided.
- (d) Voluntary and involuntary patients will receive acute care in 125 of the 250 beds of the hospital.
- (e) Acute care, meaning an average length of stay of 14-21 days, will include: suicide prevention, crisis intervention, detoxification, and processing of applications for involuntary commitment.
- (f) Intermediate care, meaning an average length of stay of 30-45 days for adults, 60 days for children and adolescents, will be offered to voluntary and involuntary patients in 125 of the 250 beds of the hospital.

Sec. 3. Education and Research

- (a) The University of Texas Health Science Center at Houston will, in addition to providing patient care at the hospital, use the facilities for education and research programs involving hospital patients.
- (b) All patients shall be available for teaching and research purposes; however, patient participation in research projects will be only on a consensual basis after approval of the project by The University of Texas Health Science Center at Houston's Committee for Protection of Human Subjects.

Sec. 4. Admissions

- (a) Any person may apply for admission to the hospital on a voluntary basis to the chief of the MHMRA screening and referral service. All applications

for involuntary commitment or court-ordered admissions shall be screened and coordinated by the chief of the MHMRA screening and referral service or the designee of the chief.

- (b) No person shall be denied admission to available psychiatric services on the basis only of his or her race, color, ethnicity, religion, creed, sex, sexual orientation, age, national origin, physical handicap, or other basis protected by law, or ability to pay; and mentally ill persons who are assaultive or aggressive, those with a history of violence, and those with a mixed diagnosis of both mental retardation and mental illness will not be denied admission on that basis.
- (c) Persons who apply for admission to the hospital shall submit information requested to the chief of the MHMRA screening and referral service of the hospital or the designee of the chief.
- (d) The chief of MHMRA's screening and referral service or the designee of the chief of the hospital shall recommend the admission to the hospital only those persons:
 - (1) who have had 3 or more admissions to a TDMHMR or MHMRA mental health facility; or
 - (2) who have serious vocational, social and personal skill deficits of a chronic nature; or
 - (3) who are experiencing acute episodes of a major mental illness requiring crisis stabilization; or
 - (4) who suffer from a major mental illness and whose presence in the community is jeopardized by weakening or dissolution of their family or social support systems; or
 - (5) who have been selected for participation in approved research in the area of mental illness by the hospital's Director.
- (e) The chief of MHMRA's screening and referral service shall maintain a waiting list of persons who are recommended for admission pursuant to Section 4(d), above.

- (f) All other factors being equal and to the extent possible, persons who are first on the waiting list will be first to be recommended for admission.
- (g) Whenever the chief of the screening and referral process of the hospital determines that a person should be admitted to the hospital, the chief shall refer the person to the Director of the hospital or the designee of the Director, with a recommendation.
- (h) As part of the recommendation, the chief will indicate a tentative bed assignment for the person recommended for admission and a current analysis of available bed assignments for the entire hospital.
- (i) The Director, or designee of the Director, in making a decision with respect to admission will consider the recommendation of the chief.
- (j) The Director or designee of the Director shall make the final decision on admission and bed assignment.
- (k) To the extent that beds are available, the Director of the Hospital or designee shall admit persons to the hospital who are the subject of a court order.
- (l) The Director of the hospital may admit persons without prior screening or referral by the chief or designee of the chief up to an amount of approximately 10% of the beds in the hospital at any point in time.
- (m) When a patient is deemed ineligible by the chief or the Director for admission, the reason for refusal shall be documented and alternatives for treatment discussed with the proposed patient and family if indicated.
- (n) If more than 3% per month of the persons who are recommended for admission by the chief of the MHMRA screening and referral service are refused admission, the chief and the Director shall confer to reaffirm admission policies.

Sec. 5. Discharge

- (a) The Director of the hospital or the attending physician shall make the final decision on a patient's discharge.

- (b) Upon discharge, aftercare planning for patients of the hospital will be provided to each on an individual basis.
- (c) The hospital will integrate extensively with the network of community clinics operated by MHMRA, The University of Texas Health Science Center at Houston, and others. This integration shall include case management services.
- (d) To enable continuity of care to occur, it shall be the goal of the hospital to furnish a discharge summary on patients referred to MHMRA within 10 days of discharge. An operating policy to achieve this goal shall be established.

Sec. 6. Transfer

Patients needing care for longer periods of time than provided by acute or intermediate care will be transferred in coordination with MHMRA to the Austin State Hospital or to other TDMHMR facilities, or other appropriate facilities.

Sec. 7. Continuity of Care

Whenever appropriate, MHMRA shall provide continuity of care services to transferred and discharged patients from the hospital.

Sec. 8. Assistance to Harris County Courts

MHMRA staff will coordinate and provide all Harris County Court interactions required of the hospital including:

- (a) testimony in court;
- (b) recommendations for least restrictive treatment alternatives; and
- (c) coordination with related Harris County agencies.

Sec. 9. Amendment of Policy Statement

- (a) The Harris County Psychiatric Center Admission, Discharge, and Transfer Policy Statement may be amended in writing at any time.

- (b) The recommendation of the Director or the chief of the MHMRA screening and referral service with respect to any proposed amendment shall be considered.
- (c) Any proposed amendment shall be considered by the authorized representatives of the Texas Board of Mental Health and Mental Retardation, the Commissioners' Court of Harris County, the Board of Trustees of the Mental Health and Mental Retardation Authority of Harris County, and the Board of Regents of The University of Texas System.
- (d) The authorized representatives may adopt, modify, or refuse to accept any proposed amendment.
- (e) Any amendment to this Policy Statement shall not be effective until finally approved by each of the Boards and the Commissioners' Court.

ADDENDUM OF CLARIFICATION TO THE LEASE, SUBLEASE AND
OPERATING AGREEMENT FOR THE HARRIS COUNTY PSYCHIATRIC
CENTER BETWEEN TEXAS DEPARTMENT OF MENTAL HEALTH AND
MENTAL RETARDATION AUTHORITY OF HARRIS COUNTY, THE
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
AND HARRIS COUNTY, TEXAS

The provisions of this Addendum are to clarify provisions of the Leases, Sublease, and Operating Agreement for the Harris County Psychiatric Center between Texas Department of Mental Health and Mental Retardation, Mental Health and Mental Retardation Authority of Harris County, The University of Texas System and Harris County, Texas.

1. Harris County, Texas, has entered into certain agreements in connection with the issuance of revenue bonds for the construction of Harris County's portion of the Harris County Psychiatric Center. In the event of a conflict between this Agreement and any of the County's obligations pursuant to said bond documents, Harris County shall not be obligated to do anything which would cause Harris County to be in default with regard to any of its obligations pursuant to said bond documents. Harris County hereby certifies that nothing contained in the bond documents precludes Harris County from entering into the Leases, Sublease, and Operating Agreement and fulfilling its obligations thereunder.

2. For purposes of these leases, sublease, and operating agreements, the County shall enter into an agreement with MHMRA for the term of the sublease between MHMRA and the Board of Regents, and any extensions thereof, which shall substantially adhere to the terms of this operating agreement and which shall contain a certified limitation of obligations based upon the budget negotiated pursuant to Section 24(b)3(ii) contained in this Operating Agreement which certified amount shall be the only amount for which the County shall be obligated under the agreement with MHMRA and under this Operating Agreement. If the County shall fail to enter into an agreement with MHMRA, then and in such event, the County shall assume the duties of MHMRA pursuant to this

Operating Agreement, unless otherwise agreed by the parties hereto.

3. In the event any insurance coverage on the hospital is obtained by the Board of Regents as provided in Section 24(d)(13), the Board shall notify the parties to the Leases, Sublease, and Operating Agreement as provided in Section 53.

4. In the event of any conflict between the terms and provisions of this Addendum, or any portion thereof, and the terms and provisions of any other part or portion of the Agreement, this addendum shall control.

Texas Department of
Mental Health and Mental
Retardation

Form Approved:

By:

W. Kent Johnson
Director of Legal Services

Dr. Gary Miller
Commissioner

County of Harris, Texas

Attest:

By:

Name:
Harris County Clerk

Jon Lindsay
Harris County Judge

Form Approved:

Harris County Attorney's
Office

Mental Health and Mental
Retardation Authority of
Harris County

Form Approved:

By:

Bruce Jocz
Attorney for MHMRA

Eugene Williams
Executive Director

The Board of Regents of
The University of Texas
System

Form Approved:

By:

Office of General Counsel
The University of Texas
System

Dr. Charles B. Mullins
Executive Vice Chancellor
for Health Affairs

11. U. T. Health Science Center - San Antonio: Graham A. Rogeness, M.D., Appointed Initial Holder of the Meadows/San Antonio Area Foundation (Semp Russ) Research Professorship in Child Psychiatry Effective Immediately.--
Approval was given to appoint Graham A. Rogeness, M.D., a tenured Associate Professor in the Department of Psychiatry, as initial holder of the Meadows/San Antonio Area Foundation (Semp Russ) Research Professorship in Child Psychiatry at The University of Texas Health Science Center at San Antonio effective immediately.

12. U. T. Cancer Center: Approval to Appoint (a) Lester J. Peters, M.D., as Initial Holder of the John G. and Marie Stella Kenedy Foundation Chair and (b) Gerald D. Dodd, Jr., M.D., as Initial Holder of the Olga Keith and Harry Carothers Wiess Chair in Diagnostic Radiology Effective January 1, 1986.--The Board appointed the following professors to endowed academic positions at The University of Texas System Cancer Center effective January 1, 1986:
 - a. Lester J. Peters, M.D., currently Head of the Division of Radiotherapy, Chairman of the Department of Clinical Radiotherapy, Radiotherapist and tenured Professor of Radiotherapy, initial holder of the John G. and Marie Stella Kenedy Foundation Chair

 - b. Gerald D. Dodd, Jr., M.D., Head of the Division of Diagnostic Imaging, Chairman of the Department of Diagnostic Radiology, Radiologist and tenured Professor of Radiology, initial holder of the Olga Keith and Harry Carothers Wiess Chair in Diagnostic Radiology

REPORT AND RECOMMENDATIONS OF THE BUILDINGS AND GROUNDS COMMITTEE (Pages 345 - 363).--Committee Chairman Rhodes reported that the Buildings and Grounds 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 Buildings and Grounds Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington - E. H. Hereford University Center - Addition and Remodeling (Project No. 301-552): Authorization to Increase the Total Project Cost, Award Alternate Bid to Construction Contract with Cadenhead - Rangaire, Inc., Fort Worth, Texas, and Additional Appropriation Therefor.-- Upon recommendation of the Academic Affairs, Finance and Audit, and Buildings and Grounds Committees, the Board:

- a. Approved an increase in the total project cost for the E. H. Hereford University Center - Addition and Remodeling at The University of Texas at Arlington in the amount of \$665,000 to provide a theater that was bid as Alternate No. 2 resulting in a revised total project cost of \$12,300,000
- b. Authorized the Office of Facilities Planning and Construction to issue a change order to the construction contract with Cadenhead - Rangaire, Inc., Fort Worth, Texas, adding Alternate Bid No. 2 in the amount of \$1,385,000 to the construction contract
- c. Appropriated \$665,000 from Interest on U. T. Arlington Combined Fee Revenue Bond Proceeds for total project funding. Previous appropriations had been \$1,000,000 from the same source, \$10,000,000 from U. T. Arlington Combined Fee Revenue Bond Proceeds, \$500,000 from Student Union Use Fee Revenues and \$135,000 from Interest on Local Funds.

See related item on Page 214 .

2. U. T. Arlington: Authorization for Office of the Chancellor and Office of General Counsel to Conclude Negotiations with Ames-Teague Joint Venture, Dallas, Texas, for Ground Lease Agreement and Property Management Agreement Related to Construction of a Parking Facility and Authorization for Executive Committee to Approve Said Documents.-- Following presentations by President Nedderman and General Counsel Crowson, the Academic Affairs and Buildings and Grounds Committees recommended and the Board:

- a. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a ground lease agreement for leasing a tract of The University of Texas at Arlington campus to Ames-Teague Joint Venture, Dallas, Texas, as a site for a four-level parking garage substantially in the form which was before the Board as Attachment A

- b. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a property management agreement with Ames-Teague Joint Venture for operation and management of the parking garage by U. T. Arlington substantially in the form which was before the Board as Attachment B
- c. Authorized the Executive Committee of the Board to approve the final form of Attachments A and B, subject to final ratification by the Board in accordance with the usual procedure

The Ground Lease Agreement (Attachment A) and Property Management Agreement (Attachment B) as approved by the Board at this meeting are on file in the Office of the Board of Regents, and the final form of these agreements will be set forth in the Minutes of the meeting in which their approval is recorded.

This project includes a 30-year ground lease of a tract on the U. T. Arlington campus to Ames-Teague Joint Venture, which will provide for the financing and construction of a four-level, 360 space parking garage.

Under the proposal, management and operation of the parking garage will be the responsibility of U. T. Arlington under a property management agreement, and Ames-Teague would pay U. T. Arlington a fee equal to all costs reasonably incurred by U. T. Arlington in operating the garage, excepting only charges for electricity.

3. U. T. Austin - Expansion of Physical Plant Facilities, Phase I (Project No. 102-454): Authorization to Advertise for Bids and for Executive Committee to Award Contracts, and Additional Appropriation Therefor.--The Buildings and Grounds Committee recommended and the Board:

- a. Authorized the Office of Facilities Planning and Construction to advertise for bids for the Expansion of Physical Plant Facilities, Phase I, at The University of Texas at Austin at an estimated total project cost of \$12,500,000 (excluding the cost of the Project Analysis)
- b. Authorized the Executive Committee to award contracts associated with this project within the authorized total project cost
- c. Appropriated \$11,950,000 from Permanent University Fund Bond Proceeds for total project funding. Previous appropriations had been \$442,000 from the same source and \$108,000 from Pooled Interest on Bond and Other Construction Funds.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

4. U. T. Austin - Residence Halls - Emergency Lighting System: Approval of Preliminary Plans and Authorization to Prepare Final Plans; Submission to Coordinating Board and Subject to Approval, Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--Mr. Jim Schultz, representing the Project Engineer Triad Engineering, Austin, Texas, presented the preliminary plans for the Residence Halls - Emergency Lighting System at The University of Texas at Austin to the Buildings and Grounds Committee.

Based upon this presentation and the recommendation of the Finance and Audit and Buildings and Grounds Committees, the Board:

- a. Approved the preliminary plans for the Residence Halls - Emergency Lighting System at U. T. Austin and authorized the Project Engineer to prepare final plans and specifications at an estimated total project cost of \$1,812,000
- b. Authorized submission of the project to the Coordinating Board, Texas College and University System
- c. Subject to approval of the Coordinating Board, authorized the Office of Facilities Planning and Construction to advertise for bids and the Executive Committee to award construction contracts within the authorized total project cost
- d. Appropriated \$1,777,000 from Housing and Food Service Reserves Account for total project funding. Previous appropriations had been \$35,000 from the same source.

This project will be accomplished in two phases. The first phase will be undertaken by the U. T. Austin Division of Physical Plant and will consist of the installation of two emergency generators, one near Jester Center (500KW) and one near Kinsolving Dormitory (150KW), and the primary distribution systems to the residence halls in the vicinity of each generator.

The second phase will be the installation of the emergency lighting systems within the residence halls for which preliminary plans have been prepared by the Project Engineer.

5. U. T. Austin - Scott House - Sweetbrush - Renovation and Additions (Project No. 102-582): Approval of Final Plans for Additions and Increased Project Cost; Authorization to Advertise for Bids and for Executive Committee to Award Contract; and Additional Appropriation Therefor.--The Board, upon recommendation of the Finance and Audit and Buildings and Grounds Committees:

- a. Approved the final plans for the additions to Scott House - Sweetbrush at The University of Texas at Austin
- b. Approved an increase in the scope of the project to include the additions and the previously approved renovations at an estimated total project cost of \$1,100,000

- c. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- d. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost
- e. Appropriated \$990,000 from Permanent University Fund Bond Proceeds from bonds sold in prior years and not included in the Capital Improvement Program resourcing for total project funding. Previous appropriations had been \$110,000 from Permanent University Fund Bond Proceeds.

It was reported that reassessment of the use of Scott House - Sweetbrush not only as a residence, but as a facility for official University functions, indicated that it would be prudent to proceed with the addition to the house at the same time as the repair and restoration work is done.

6. U. T. Dallas - Multipurpose and Engineering Start-Up Facility: Authorization for Project; Appointment of F&S Partners, Inc., Dallas, Texas, Project Architect to Prepare Preliminary Plans; and Appropriation Therefor.--Upon recommendation of the Buildings and Grounds Committee, the Board:

- a. Authorized a project for the construction of a Multipurpose and Engineering Start-Up Facility at The University of Texas at Dallas at an estimated total project cost of \$4,800,000
- b. Appointed the firm of F&S Partners, Inc., Dallas, Texas, Project Architect to prepare preliminary plans and a detailed cost estimate for consideration at a future meeting
- c. Appropriated \$110,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through the completion of preliminary plans

This project will provide approximately 60,000 gross square feet of moderately priced, multipurpose buildings containing classrooms, offices and dry laboratories.

Moderately priced buildings planned as multipurpose, flexible-use facilities will be essential to absorb the growth of students, faculty, and research as new permanent classroom and research buildings are planned and constructed. In addition, these facilities would be available to accommodate programs displaced during major rehabilitation projects in existing buildings, would allow for anticipated need for additional dry laboratory research space, and would provide for research activities currently housed in poor quality space. This latter move would allow for consolidation of all physical plant activities in a single site on campus rather than being scattered around the campus in temporary "space available" quarters.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

7. U. T. Dallas: Authorization for Office of the Chancellor and Office of General Counsel to Conclude Negotiations with Texas University Apartments I, Ltd., Dallas, Texas, for Ground Lease Agreement and Property Operating Agreement Related to Student Housing Apartment Project and Authorization for Executive Committee to Approve Said Documents.--Following a brief presentation by General Counsel Crowson and upon recommendation of the Academic Affairs and Buildings and Grounds Committees, the Board:

- a. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a ground lease agreement for leasing a 9.72-acre tract of The University of Texas at Dallas campus to Texas University Apartments I, Ltd., Dallas, Texas, as a site for a student housing apartment project substantially in the form which was before the Board as Attachment A
- b. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a property operating agreement to provide for Texas University Apartments I, Ltd. to operate the apartment project substantially in the form which was before the Board as Attachment B
- c. Authorized the Executive Committee of the Board to approve the final form of Attachments A and B, subject to final ratification by the Board in accordance with the usual procedure

The Ground Lease Agreement (Attachment A) and Property Operating Agreement (Attachment B) as approved by the Board at this meeting are on file in the Office of the Board of Regents and the final form of these agreements will be set forth in the Minutes of the meeting in which their approval is recorded.

This project includes a 35-year ground lease of a 9.72-acre tract of the U. T. Dallas campus to Texas University Apartments I, Ltd., which will provide for the financing and construction of eleven two and three story apartment buildings containing 200 units for student housing, as well as a clubhouse providing amenities for students and parking for 350 vehicles.

Under the proposal, management and operation of the student apartments will be the responsibility of Texas University Apartments I, Ltd. under a property operating agreement with the U. T. Board of Regents.

8. U. T. El Paso - Physical Plant Facilities (Project No. 201-563): Authorization to Advertise for Bids and for Executive Committee to Award Contracts and Additional Appropriation Therefor.--The Board, upon recommendation of the Buildings and Grounds Committee:

- a. Authorized the Office of Facilities Planning and Construction to advertise for bids for the construction of the Physical Plant Facilities at The University of Texas at El Paso at an estimated total project cost of \$6,980,000 (excluding the cost of the Project Analysis)

- b. Authorized the Executive Committee to award contracts associated with this project within the authorized total project cost
- c. Appropriated \$6,615,000 from Permanent University Fund Bond Proceeds for total project funding. Previous appropriations had been \$365,000 from the same source.

At the December 1984 meeting, the U. T. Board of Regents approved final plans and specifications for the U. T. El Paso Physical Plant Facilities and Site Development for Recreational Facilities at an estimated total project cost of \$8,276,000.

With the above action, authorization was given to advertise for bids and to award contracts for the new Physical Plant Facilities and related site work only. The Site Development for Recreational Facilities has been deferred.

It was noted that fees and other expenses related to the Project Analysis accepted by the U. T. Board of Regents in February 1984 are not included in this estimated total project cost.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

- 9. U. T. El Paso: Approval of a Ground Lease to the City of El Paso to Provide a .780-Acre Site Out of Block 25, Old Fort Bliss, El Paso, Texas, for a Sesquicentennial Monument.--Upon recommendation of the Buildings and Grounds Committee, the Board authorized Chancellor Mark to sign the lease agreement set forth on Pages 351 - 356 between the City of El Paso and the U. T. Board of Regents, for and on behalf of The University of Texas at El Paso, for a .780-acre tract of campus land out of Block 25, Old Fort Bliss, El Paso, Texas, for a term of 99 years. The leased land is to be used as a site for a commemorative arch and bell tower which will be the major project of the City of El Paso for the Texas Sesquicentennial celebration.

All plans for design and construction will be submitted to the U. T. Board of Regents for approval prior to beginning the project. The City of El Paso will be responsible for the construction and subsequent maintenance of the site and monument.

STATE OF TEXAS
COUNTY OF EL PASO

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)
)
LEASE

THIS AGREEMENT made this 22 day of October, 1985,
by and between the Board of Regents of the University of Texas
System ("the University"), and the City of El Paso ("the City"),

WITNESSETH:

WHEREAS, the City has requested the University to permit the
construction, maintenance and operation of a landscape area on
the campus of the University of Texas at El Paso which would
include a monument to the Pass of the North to be erected in
conjunction with the Texas Sesquicentennial Celebration; and

WHEREAS, the University has indicated its willingness to
approve the establishment of such facility, upon the condition
that the City will assume the responsibility of constructing and
maintaining the landscape area, at no cost to the University, and
the further condition that such use would be in the public
interest.

NOW, THEREFORE, it is hereby agreed as follows:

1. For and in consideration of the premises and the terms
and conditions hereinafter set out and other good and valuable
consideration, the University hereby leases to the City for a
period of ninety-nine years, commencing on the date of the
execution of this Lease, the following property owned by the
University:

A parcel of land out of Block 25, Old Fort Bliss,
in El Paso, El Paso County, Texas, as shown on the map
marked Exhibit "A" attached hereto and made a part
hereof for all purposes and, being more particularly
described as follows:

From a Texas Department of Highways and Public
Transportation monument, said monument being located on
the easterly right-of-way of Interstate Highway 10 at
Texas State Plane Coordinates North 817,693.88, East
81,943.60, said point being the true point of beginning
of this description.

Thence North 30°52'59" West along the said Easterly
right-of-way of Interstate Highway 10 a distance of
three hundred ninety-three and no hundredths (393.00)
feet to a point.

Thence North 54°33'00" East a distance of eighty-two
and seventy-one hundredths (82.71) feet to a point on
the Westerly boundary of a one hundred (100) foot El
Paso Electric Company right-of-way.

Thence South 35°27'00" East along said Electric Company Westerly right-of-way a distance of thirty-one and eighty hundredths (31.80) feet to a point.

Thence South 24°01'40" West a distance of thirty-one and fifty-six hundredths (31.56) feet to a point.

Thence South 36°40'34" East a distance of one hundred seventy-five and eighty-four hundredths (175.84) feet to a point.

Thence South 86°47'00" East a distance of thirty and no hundredths (30.00) feet to a point on the said Electric Company Westerly right-of-way.

Thence South 35°27'00" East along said Electric Company Westerly right-of-way a distance of one hundred four and seventy-five hundredths (104.75) feet to a point of deflection of said right-of-way.

Thence South 12°40'43" East along said Electric Company Westerly right-of-way a distance of sixty-five and fifty-six hundredths (65.56) feet to a point.

Thence South 64°40'17" West a distance of ninety and three hundredths (90.03) feet to the point of beginning.

Said parcel contains 33,981.41 square feet or 0.780 acres more or less.

2. The City will prepare, or provide for the preparation of construction plans for the facility, and will provide for the construction work as required by the plans. The plans shall include the design of the monument, the access control, adequate landscape treatment, and general layout; they shall also delineate and define the construction responsibilities of the City. Upon completion of the plans, the City will submit them to the University for approval and only after such approval is given will the City proceed with construction. Any future revisions or addition of permanent improvements shall be made only upon the prior written approval of the University.

City will take all necessary steps to protect and maintain in their present state and condition all natural vegetation, rock formations, and natural land contours during the construction phase and at all times thereafter, unless otherwise provided in the approved plans relating to the construction and landscaping of the site area.

3. Ingress and egress across University property shall be allowed at all reasonable times to such facility for City forces

and equipment for construction and maintenance operations; however, the University cannot guarantee that parking will be available at all times for the public. University shall have the right to enter the leased premises for purposes of inspection and to perform maintenance not performed by City.

4. Maintenance and operation of the monument and the landscape area shall be entirely the responsibility of the City. Such responsibility shall not be transferred, assigned, or conveyed to a third party without prior written approval of the University, further, such responsibility shall include but is not limited to picking up trash, landscape maintenance, and otherwise keeping the facility in a clean and sanitary condition and surveillance by police patrol to eliminate the possible creation of a nuisance or hazard to the public.

5. The City shall have no right to erect or maintain or to permit any person, partnership, corporation or association to erect or maintain any structure upon the leased premises other than as provided for in the plans that are approved by the University under Paragraph 2 hereof. City shall have no right to operate any concession or other commercial enterprise upon the leased premises nor to permit any person, partnership, corporation or association to operate a concession or other commercial enterprise.

6. The City shall provide necessary safeguards to protect the public, including adequate insurance, or self-insurance for payment of any damages to persons or property which might result during the construction of facility, or thereafter, and to save the University harmless from liability for such damages, to the extent of said insurance coverage and insofar as the City may legally do so.

7. Upon expiration of the term of the lease, the premises and all improvements thereon shall revert to University.

8. The City shall assume and promptly pay for all costs or charges for utility services furnished and to be used on the

property during the term of this lease, including the cost of extending the utility lines within the boundaries of the properties, connecting such lines, setting meters, or relocation of lines necessary for the construction or maintenance of the monument. Any such utility lines shall be installed underground and outside lighting will not be operated at such intensity as to constitute a nuisance to the University.

9. All the terms, provisions, and covenants, and conditions of this lease inure to the benefit of and are binding upon the parties, their successors and assigns.

10. The laws of the State of Texas shall govern the validity, performance, and enforcement of this lease.

11. This document contains all the agreements between the parties and may not be modified, except by agreement in writing signed by both parties.

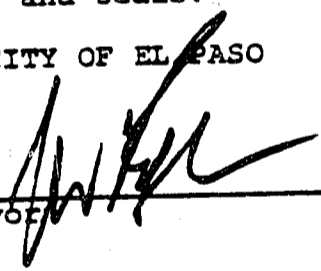
12. The invalidity or illegality of any provision hereof shall not affect the remaining provisions hereof.

13. This lease is subject to all rights-of-way, easements, dedications, restrictions, reservations, and other encumbrances of record running with the land.

WITNESS the following signatures and seals:

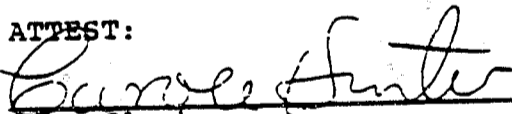
THE CITY OF EL PASO

BY
Mayor



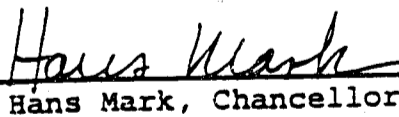
ATTEST:

City Clerk



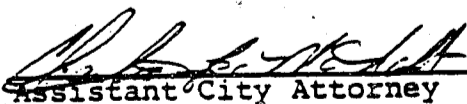
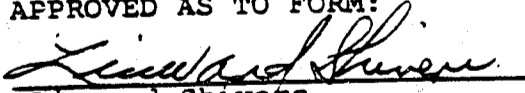
THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

BY


Hans Mark, Chancellor

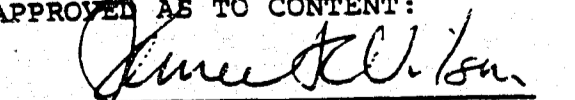
Approved as to form:

APPROVED AS TO FORM:


Assistant City Attorney
Linward Shivers
University Attorney

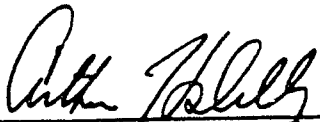
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10/24/85 (Rev.)

APPROVED AS TO CONTENT:


James S. Wilson
Manager, Endowment Real Estate

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Lease Agreement was approved by the Board of Regents of The University of Texas System on the 5TH day of December, 1985, 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

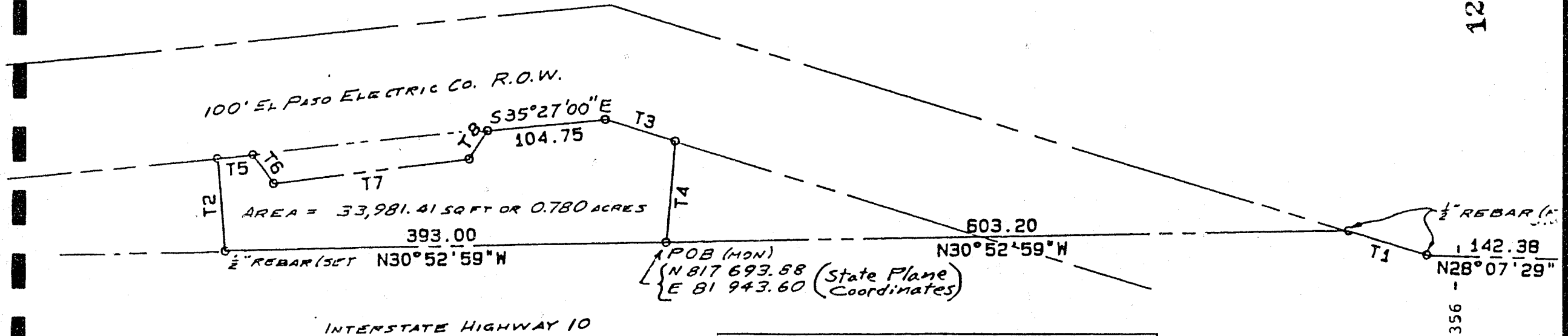
PROPOSED LAND LEASE FROM UTEP

EXHIBIT "A"

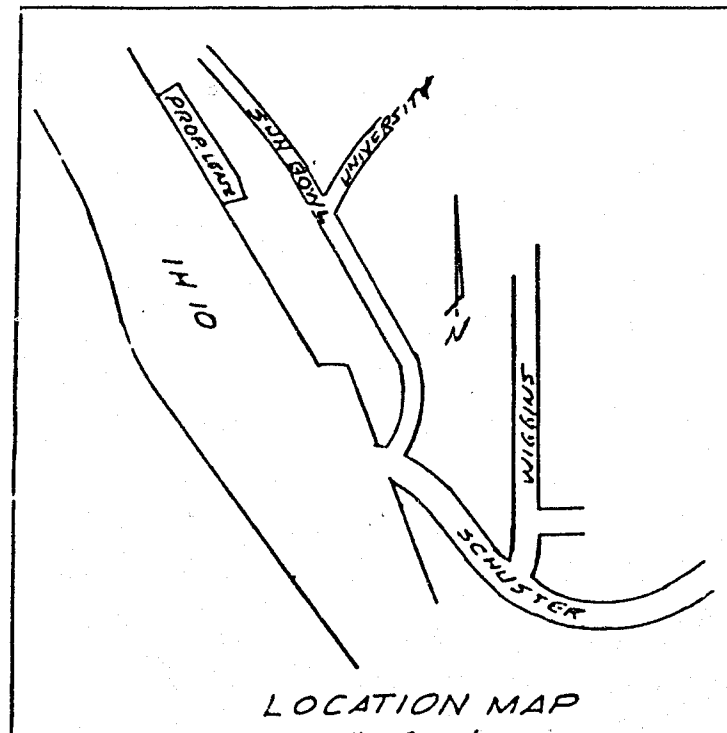


SCALE 1" = 100'

1208



NO.	BEARING	DISTANCE
T1	N12°40'43"W	72.74
T2	N54°33'00"E	82.71
T3	S12°40'43"E	65.56
T4	S64°40'17"W	90.03
T5	S35°27'00"E	31.80
T6	S24°01'40"W	31.56
T7	S36°40'34"E	175.84
T8	S86°47'00"E	30.00



NOTE
ALL BEARINGS BASED ON
TDHPT 9024-2-14

- 356 -

10. U. T. Permian Basin: Authorization to Purchase Computer Equipment and Appropriation Therefor.--In order to reduce skyrocketing computer costs and improve the academic and administrative services available to The University of Texas of the Permian Basin campus by purchasing its own computer equipment, the Board, upon recommendation of the Buildings and Grounds Committee:

- a. Authorized the purchase of computer equipment for U. T. Permian Basin at an estimated total project cost of \$750,000
- b. Appropriated \$750,000 from Permanent University Fund Bond Proceeds for total project funding

It was pointed out that both centralized and decentralized computing facilities are now needed in the academic setting to facilitate the many and varied uses of computers. The mainframe will not only accommodate the large programs run by engineering and scientific faculty and students. It will also make available to the off-campus student the ability to dial up the host computer and work off-campus. At the same time, microprocessors afford the flexibility that many academic needs present, and the redundancy of microprocessors virtually guarantees that computing power is always available to the user.

The personal computers will help meet faculty and student computing needs and fill the gap created by the budgetarily curtailed Word Processing Center.

This purchase is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

11. U. T. Permian Basin - Mesa Building Reroofing, Phase I: Authorization for Project; Preparation of Final Plans and Specifications; Advertisement for Bids; Award of Contract; and Appropriation Therefor.--In accordance with a phased reroofing program that is planned for all existing buildings on The University of Texas of the Permian Basin campus in the next three years, the Board:

- a. Authorized a project for the reroofing of the north half of the Mesa Building at U. T. Permian Basin at an estimated total project cost of \$200,000
- b. Authorized preparation of final plans and specifications, advertisement for bids, and award of a construction contract within authorized total project cost by the U. T. Permian Basin Administration with its own forces or through contract services in consultation with the Office of Facilities Planning and Construction
- c. Appropriated \$200,000 from Permanent University Fund Bond Proceeds for total project funding

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

12. U. T. San Antonio: Authorization for Office of the Chancellor and Office of General Counsel to Conclude Negotiations on (a) Ground Lease Agreement for Student Dormitory and Recreation Center with Mr. Clarence T. Bach, San Antonio, Texas, (b) Management Agreement to Operate and Manage Student Dormitory and Recreation Center with Mr. Bach, Sandalwood Management, Inc., San Antonio, Texas, and UTSA Phase I Dormitory Partnership, San Antonio, Texas, and (c) Statement of Policy and Undertaking to be Delivered to Lloyds Bank Int. Ltd.; and Authorization for Executive Committee to Approve Said Documents.--Following presentations by President Wagener and General Counsel Crowson and upon recommendation of the Academic Affairs and Buildings and Grounds Committees, the Board:

- a. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a ground lease agreement for leasing a 6.013-acre tract of The University of Texas at San Antonio campus to Mr. Clarence T. Bach, San Antonio, Texas, as a site for a student dormitory and a recreation center substantially in the form which was before the Board as Attachment A
- b. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a management agreement with Sandalwood Management, Inc., San Antonio, Texas, and "UTSA Phase I Dormitory Partnership", San Antonio, Texas, for the operation and management of the student dormitory substantially in the form which was before the Board as Attachment B
- c. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a management agreement with Sandalwood Management, Inc., San Antonio, Texas, and Mr. Clarence T. Bach for the operation and management of a recreation center substantially in the form which was before the Board as Attachment C
- d. Authorized the Office of the Chancellor and the Office of General Counsel to conclude negotiations on a Statement of Policy and Undertaking to be delivered to Lloyds Bank Int. Ltd. substantially in the form which was before the Board as Attachment D
- e. Authorized the Executive Committee of the Board to approve the final form of Attachments A, B, C and D, subject to final ratification by the Board in accordance with the usual procedure

The Ground Lease Agreement (Attachment A), Management Agreements (Attachments B and C) and Statement of Policy and Undertaking (Attachment D) as approved by the Board at this meeting are on file in the Office of the Board of Regents and the final form of these documents will be set forth in the Minutes of the meeting in which their approval is recorded.

This project includes a 35-year ground lease of a 6.013-acre tract of the U. T. San Antonio campus to Mr. Bach, who will provide for the financing and construction of Phase I of the housing project, consisting of a four-story dormitory housing 520 residents, an adjacent recreation center providing amenities for students, and parking facilities.

Under the proposal, management of the dormitory and recreation center will be the responsibility of Sandalwood Management, Inc. (an affiliated entity of Mr. Clarence T. Bach) pursuant to management agreements to which the U. T. Board of Regents will be a party.

13. U. T. Tyler - Space Completion and Renovation: Authorization for Project; Appointment of Charles F. Potter, Jr., Architect, Tyler, Texas, Project Architect to Prepare Final Plans; and Appropriation Therefor.--In order that additional classroom space will be available for use beginning the Fall Semester 1986 and to avoid the need to lease additional space off campus, the Board, upon recommendation of the Buildings and Grounds Committee:
- a. Authorized the construction of the Space Completion and Renovation project at The University of Texas at Tyler at an estimated total project cost of \$3,800,000
 - b. Appointed the firm of Charles F. Potter, Jr., Architect, Tyler, Texas, Project Architect to prepare final plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
 - c. Appropriated \$250,000 from Permanent University Fund Bond Proceeds for fees and related project expenses through completion of final plans

This project will provide for the completion and renovation of space in the Library, University Center, and Administration Buildings as well as the completion of the physical plant compound.

The work in the Library will convert an open, unfinished area into 17,427 gross square feet of general classroom space and renovation in the University Center will convert a former library stack area into 18,468 gross square feet of classrooms and faculty offices.

The scope of work in the Administration Building will convert 7,180 gross square feet of inefficient "open plan classroom" area into effective, discreet classrooms and offices. The physical plant compound completion will provide an addition to house university general storage and to provide building maintenance and ground maintenance shops and general storage space.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

14. U. T. Health Science Center - Dallas: Appropriation of Permanent University Fund Bond Proceeds for Equipment Allocation for Regental Professors Michael S. Brown and Joseph L. Goldstein for the Fiscal Year 1986.--At its October 24, 1985 special meeting, the U. T. Board of Regents awarded Nobel Laureates Michael S. Brown and Joseph L. Goldstein of The University of Texas Health Science Center at Dallas the title of Regental Professor and committed \$1 million over the next five years to assist their research, including \$100,000 per year in general programmatic research support and \$100,000 per year for equipment purchases.

In accordance therewith, the Board appropriated \$100,000 from Permanent University Fund Bond Proceeds for equipment purchases in support of the research of Regental Professors Michael S. Brown and Joseph L. Goldstein for the fiscal year 1986.

15. U. T. Health Science Center - Dallas - Parking Garage No. 3 - Two-Level Addition: Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--Upon recommendation of the Finance and Audit and Buildings and Grounds Committees, the Board:
- a. Approved the final plans and specifications for the Two-Level Addition to Parking Garage No. 3 at The University of Texas Health Science Center at Dallas at an estimated total project cost of \$1,450,000
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
 - c. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost
 - d. Appropriated \$1,175,000 from Institutional Plant Fund Balances and \$200,000 from Parking Fund Balances for total project funding. Previous appropriations had been \$75,000 from Institutional Plant Fund Balances.

This project was approved by the Coordinating Board, Texas College and University System in July 1985.

16. U. T. Health Science Center - San Antonio - Basic Science Building Fifth Level Completion: Authorization for Project; Appointment of Phelps Garza Bomberger, San Antonio, Texas, Project Architect for Preliminary Plans; and Appropriation Therefor.--The Board, upon recommendation of the Buildings and Grounds Committee:
- a. Authorized a project for the Basic Science Building Fifth Level Completion at The University of Texas Health Science Center at San Antonio for an estimated total project cost of \$3,400,000
 - b. Appointed the firm of Phelps Garza Bomberger, San Antonio, Texas, Project Architect to prepare preliminary plans and a detailed cost estimate for consideration at a future meeting
 - c. Appropriated \$100,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through completion of preliminary plans

This project, which will complete approximately 30,000 square feet of existing shell space at the fifth level of the Basic Science Building, has been needed for several years and was planned to provide space needs of the basic science departments when the medical school enrollment was expanded from 100 to 200 students per class. Completion of this space into laboratories and offices for basic science teaching and research space will complete this building project which was begun in 1979-80.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

17. U. T. Health Science Center - San Antonio - Expansion of Clinical Science Teaching Space: Authorization for Project; Appointment of Chumney Urrutia, San Antonio, Texas, Project Architect to Prepare Preliminary Plans; and Appropriation Therefor.--In order to accommodate the growing research programs and attract additional outside funding in several of the clinical departments, the Board, upon recommendation of the Buildings and Grounds Committee:
- a. Authorized the Expansion of Clinical Science Teaching Space at The University of Texas Health Science Center at San Antonio at an estimated total project cost of \$15,500,000
 - b. Appointed the firm of Chumney Urrutia, San Antonio, Texas, Project Architect to prepare preliminary plans and a detailed cost estimate for consideration at a future meeting
 - c. Appropriated \$350,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through completion of preliminary plans

Construction of approximately 88,000 square feet of new space at the fifth level of the Dental Clinic Building will provide offices, research laboratories and teaching space for medical school clinical departments.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

18. U. T. Cancer Center - Modification and Renovation of M. D. Anderson Hospital (Project No. 703-602): Approval of Final Plans for Phase I; Submission to Coordinating Board; and Authorization to Advertise for Bids and for Executive Committee to Award Contracts.--The Buildings and Grounds Committee recommended and the Board:
- a. Approved the final plans and specifications for the Modification and Renovation of M. D. Anderson Hospital - Phase I for The University of Texas System Cancer Center at an estimated total project cost of \$5,000,000
 - b. Authorized submission of the project to the Coordinating Board, Texas College and University System
 - c. Subject to approval of the Coordinating Board, authorized the Office of Facilities Planning and Construction to advertise for bids and for the Executive Committee to award all contracts associated with this project within the authorized total project cost

Funds for this project have been previously appropriated from Plant Funds Unexpended Balances.

19. U. T. Health Center - Tyler - Ambulatory Care Facilities: Authorization for Project Analysis; Appointment of Robert Douglass Associates, Houston, Texas, Consulting Architect; and Appropriation Therefor.--Upon recommendation of the Health Affairs and Buildings and Grounds Committees, the Board:

- a. Authorized a project analysis of the need for Ambulatory Care Facilities at The University of Texas Health Center at Tyler

The project analysis will include the study of existing ambulatory and ancillary facilities, equipment and services; market analysis of new services or services proposed for expansion; the financial feasibility of these services; and the analysis of the resources required for each service including space, staff and equipment.

- b. Appointed Robert Douglass Associates, Houston, Texas, Consulting Architect for the project analysis
- c. Appropriated \$65,000 from Interest on Unexpended Plant Funds for fees and administrative expenses related to the project analysis

20. U. T. Health Center - Tyler - Medical Resident Housing (Project No. 801-601): Approval of Preliminary Plans; Authorization to Submit to Coordinating Board; Approval for Completion of Final Plans; and Additional Appropriation Therefor.--Mr. Shirley Simons, representing the Project Architect Simons-Clark Associates, Tyler, Texas, presented the preliminary plans and specifications for Medical Resident Housing at The University of Texas Health Center at Tyler to the Buildings and Grounds Committee.

Based upon this presentation and the recommendation of the Buildings and Grounds Committee, the Board:

- a. Approved the preliminary plans and specifications for the Medical Resident Housing at the U. T. Health Center - Tyler at an estimated total project cost of \$750,000
- b. Authorized submission of the project to the Coordinating Board, Texas College and University System
- c. Authorized the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting
- d. Appropriated \$15,000 from Gift Funds designated for this project for fees and administrative expenses through completion of final plans

This project will consist of a cluster of six one-story buildings to house four medical residents each, plus three two-bedroom units for married medical residents.

STATEMENT BY CHAIRMAN HAY REGARDING PROJECTS PROPOSED FOR FUNDING FROM PERMANENT UNIVERSITY FUND BOND PROCEEDS THAT WERE NOT APPROVED IN CAPITAL IMPROVEMENT PROGRAM.--At the conclusion of the Buildings and Grounds Committee meeting, Chairman Hay reminded the Board that it would be continually advised regarding the fiscal implications of any projects proposed for funding from Permanent University Fund Bond proceeds that were not included in the approved Capital Improvement Program. He emphasized that in this way the Board would have an on-going status report regarding the resourcing available for other capital projects which might be recommended for consideration.

REPORT AND RECOMMENDATIONS OF THE LAND AND INVESTMENT COMMITTEE (Pages 363 - 397).--Committee Chairman Milburn reported that the Land and Investment 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 Land and Investment Committee and approved in open session and without objection by the U. T. Board of Regents:

The execution of documents authorized in this report will be in accordance with the Regents' Rules and Regulations, Part Two, Chapter IX, Section 1.3 as set forth below:

- 1.3 Authority to Execute Instruments Relating to Land and Mineral Interests.--The Chairman of the Board, the Vice-Chairmen, the Chancellor, or his delegate, and the Executive Vice Chancellor for Asset Management are each authorized to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board as a part of the PUF or as a part of any trust or special fund.

I. PERMANENT UNIVERSITY FUND

A. INVESTMENT MATTERS

1. Report on Clearance of Monies to Permanent University Fund for September and October 1985, and Report on Oil and Gas Development as of October 31, 1985.--The following reports with respect to (a) certain monies cleared to the Permanent University Fund for September and October 1985, and (b) Oil and Gas Development as of October 31, 1985, were submitted by the Executive Director for Investments and Trusts:

	September, 1985	October, 1985	Cumulative Through October of This Fiscal Year (1985-1986)	Cumulative Through October of Preceding Fiscal Year (1984-1985)	Per Cent Change
<u>Permanent University Fund</u>					
Royalty					(11.57%)
Oil	\$ 7,333,510.33	\$ 8,366,851.41	\$15,700,369.74	\$17,753,939.91	8.31%
Gas	2,237,215.32	2,982,524.59	5,219,738.91	4,819,062.36	
Sulphur	87,854.14	20,329.41	108,183.55	20,000.00	
Water	84,511.45	49,102.00	133,613.45	131,196.14	
Brine	5,180.89	14,513.02	19,693.91	18,265.81	
Rental					
Oil and Gas Leases	123,285.76	160,535.28	283,821.04	251,582.45	
Other	200.00	100.00	300.00	900.00	
Sale of Sand, Gravel, Etc.	1,217.25	2,700.00	3,917.25	2,973.25	
Gain or (Loss) on Sale of Securities	19,226,397.24	16,051,312.49	35,277,709.73	1,110,311.74	
Sub-Total	29,099,379.38	27,647,968.20	56,747,347.58	24,108,231.66	135.39%
Bonuses					
Oil and Gas Lease Sales	-0-	5,913,600.00	5,913,600.00	-0-	
Amendments and Extensions to Mineral Leases	122,769.19	25,383.34	148,152.53	125,657.05	
Total Bonuses	122,769.19	5,938,983.34	6,061,752.53	125,657.05	--
TOTAL CLEARANCES	\$29,222,148.57	\$33,586,951.54	\$62,809,100.11	\$24,233,888.71	159.18%

Oil and Gas Development - October 31, 1985
Acreage Under Lease - 840,977

Number of Producing Acres - 565,302

Number of Producing Leases - 2,270

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2. Permanent University Fund: Report on Investments for the Fiscal Year Ended August 31, 1985.--Prior to the meeting, each member of the Board received a report on the Permanent University Fund investments for the fiscal year ended August 31, 1985. Upon recommendation of the Land and Investment Committee, the Board approved this report for distribution to the Governor, members of the Legislature, and other State officials as required by Section 66.05 of the Texas Education Code.

It was reported that the Permanent University Fund experienced significant gains in book value of assets and earnings during the year as shown below:

	Fiscal Year Ended 8/31		Increase	
	1984	1985	Amount	%
Book Value	\$2,082,521,497	\$2,316,874,704	\$234,353,207	11.2
Investment Income	175,929,054	191,676,227	15,747,173	9.0

B. LAND MATTERS

1. Permanent University Fund: Establishment of the Fund for Conservation and Land Utilization Programs, Authorization for Transfer of Funds from the Damage Program Fund Effective Immediately and Authorization to Transfer 20% of Each Payment to the Damage Program Fund to This Endowment Fund Effective February 1, 1986.--At the request of the Manager of University Lands - Surface Interests, approval was given to establish an endowment to be entitled the "Fund for Conservation and Land Utilization Programs." The income earned through this endowment will be administered by the Office of University Lands - Surface Interests upon approval by the U. T. Board of Regents through the regular budget approval process and utilized for the purposes of conducting research programs to increase the productivity and income from Permanent University Fund Lands.

In order to establish the initial endowment for the Fund for Conservation and Land Utilization Programs, the Board authorized the immediate transfer of \$500,000 of the accumulated interest earned on the Damage Program Fund, established by the U. T. Board of Regents in October 1969, to this endowment fund. Beginning February 1, 1986, twenty percent (20%) of each payment to the Damage Program Fund will be transferred to the corpus of the Fund for Conservation and Land Utilization Programs.

See Item 2 below related to increases in rate and damage schedules on Permanent University Fund Lands.

2. Permanent University Fund - University Lands: Approval of Amendments to the Damage Schedule and Program and Revised Rate Schedule for (a) Pipe Line Easements, (b) Power and Telephone Line Easements, (c) Surface Leases (Other Than Grazing), (d) Material Source Permits (Caliche, Etc.), and (e) Assignments, Transfer or Correction of Easements, Leases, Etc. Effective February 1, 1986.--Following a detailed discussion and upon recommendation of the Land and Investment Committee, the Damage Schedule and Program for Permanent University Fund Lands was amended effective February 1, 1986, to read as set out on Pages 366 - 369.

THE UNIVERSITY OF TEXAS LANDS
DAMAGE SCHEDULE EFFECTIVE FEBRUARY 1, 1986

All monies received by The University of Texas System for damage to Permanent University Fund Lands are to be used for the purposes of conservation, reclamation and improvement of these lands; provided, however, that:

- a. Payment of standard damage rates 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, such as loss or injury to livestock or excessive crop or grass damage, shall be paid directly to the grazing lessee.
- c. Compensation will be required for loss of crop production and/or destruction of plants.

In the event of a disagreement between the grazing lessee and the company or operator, the Manager of University Lands - Surface Interests or his representative will arbitrate and set the damage payments.

All checks submitted to The University of Texas System for damages are to be made payable to "The University of Texas System." All damage payments should indicate county, section, block, and surface lease where damages were incurred.

All operators must notify both the Manager of University Lands - Surface Interests or his representative and the grazing lessee before any operation begins.

No fences shall be cut or cattle guards installed without permission of the Manager of University Lands - Surface Interests or his representative.

All damage payments or correspondence concerning this schedule or policies shall be mailed to:

Manager of University Lands -
Surface Interests
P. O. Box 553
Midland, Texas 79702

RATES

- | A. WELL LOCATIONS (As permitted by Railroad Commission) | |
|---|------------|
| 1. 15,000 feet or less (drilling depth)/location | \$3,000.00 |
| 2. In excess of 15,000 feet (drilling depth)/location | 4,000.00 |
| 3. Re-entry (no charge until expiration or release of lease, then rates shown under 1 and 2 are to be followed) | |

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

	RATES
4. Skidding of rig/rod	\$ 8.50
5. New road construction (except on own lease) or use of existing ranch road/rod (No charge on pre-existing oil field roads)	6.00
 B. PIPELINE CONSTRUCTION (OD diameters)	
1. Temporary oil and gas line off lease/rod	2.50
2. Lines under 12"/rod	4.00
3. Lines 12" and under 24"/rod	6.00
4. Lines 24" and over/rod	Negotiated
5. Removal or replacement of buried lines/rod	2.50
 C. POWER AND TELEPHONE LINE CONSTRUCTION	
1. Single pole distribution/rod (33,000 volts maximum)	.85
2. Single pole transmission/rod	.95
3. Single pole telephone line construction/rod	.85
4. Buried cables/rod	2.25
5. H-frame/rod	3.00
6. Steel tower/rod	4.00
7. Removal or replacement of line/rod	1.50
8. Removal of buried cable/rod	2.00
 D. MATERIAL SOURCE PERMITS AND ROAD ACCESS	
1. Per pit entry and use of access road (Before caliche 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 leveled in an acceptable manner.) No charge for caliche if used on Permanent University Fund Lands.	500.00 (1 site)
2. Opening of new pit and use of access road	800.00
3. One-half of damage money to go to The University of Texas System for reclamation of caliche pits and one-half to University's Lessee.	
 E. GEOPHYSICAL OPERATIONS	
Damage payments for geophysical operations shall be as follows:	
1. Seismic weight-dropping, vibrators, dinoseis operations per mile	1,000.00
2. Shooting crews per mile	1,100.00
3. Gravity meter and magnetometer survey operations per crew per day	250.00

RATES

- | | | |
|----|---|------------|
| 4. | Single shot (reflection or refraction shooting) per shot hole | \$ 200.00 |
| 5. | Velocity survey (when off pad) | Negotiated |
| 6. | Experimental work | Negotiated |
| 7. | On revegetated land, the operator will pay an additional \$300 per mile in damages to the U. T. System. | |

F. CHARGES FOR CATHODIC PROTECTION UNIT

- | | | |
|----|---------------------------------------|------------|
| 1. | On a pipeline | 250.00 |
| 2. | Any other type of cathodic protection | Negotiated |

G. CROP DAMAGE

The Damage Schedule guidelines provide compensation for loss of crop production and destruction of plants. Compensation is to be determined by the Manager of University Lands - Surface Interests, if the affected parties cannot reach an agreement.

DAMAGE PROGRAM

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 improvement of these lands.

Providing the grazing lessee is under a flexible grazing lease, part of these monies may be used for repairs of existing improvements or as compensation for livestock and/or grass damages in a manner set out below.

In 1969, The University of Texas System started a damage program. In this program, The University of Texas System acts as agent for the grazing lessee and carries out the following functions:

1. collects damage payments for damages to each grazing lease
2. insures proper payment by matching damage checks with reports submitted by University Lands field representatives
3. maintains separate records for each grazing lessee of damage payments received for damage to each grazing lease
4. keeps all damage monies for each grazing lessee until approved ranch improvements and/or range conservation programs are made
5. reimburses each grazing lessee for such approved ranch improvements and/or range conservation programs for which receipts and cancelled checks have been furnished and damage monies are available for that lease and grazing lessee. The grazing lessee may use two-thirds of the damage income for ranch improvements and one-third for ranch repairs (PRIOR APPROVAL IS REQUIRED)

6. reimburses, at the option of The University of Texas System, a grazing lessee, under a flexible lease, up to one-fourth of damage monies collected for drilling operations as compensation for livestock and/or grass damages but not to exceed one-half of the combined hunting and grazing lease fees in effect for the year. This does not include damage monies collected for pipeline, seismograph, or any non-drilled operations
7. reserves the right to take all or part of any damage monies received during a single calendar year by a grazing lessee for livestock and/or grass damages
8. notifies quarterly, each grazing lessee the amount of damage money being held for each grazing lease
9. keeps records of ranch improvement and/or range conservation program expenses in excess of damage monies received for damage to a particular lease
10. pays for such expenses in the future should additional damage monies be received
11. On revegetated land only, geophysical operators working on University Lands will pay an additional \$300 per mile in damages to The University of Texas System
12. For each pit entry, one-half of all damage monies will be paid to The University of Texas System for reclamation of caliche pits.

The grazing lessee has the following responsibilities:

1. uses all damage monies received back on the land except for monies received as compensation for livestock and/or grass damages from drilling operations only
2. notifies the University Lands - Surface Interests Office of any errors in the accounting of damage monies
3. uses approved Soil Conservation Service ranch improvements 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 money is expected
4. provides receipts of expenditures for all ranch improvements, repairs and/or range conservation programs to 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 University Lands conservation and land utilization programs as may be recommended by the Manager of University Lands - Surface Interests and approved by the Executive Vice Chancellor for Asset Management.

Further, the Schedule of Rates payable to The University of Texas System as consideration for grants of (a) Pipe Line Easements, (b) Power and Telephone Line Easements, (c) Surface Leases (other than grazing), (d) Material Source Permits (caliche, etc.) and (e) Assignments, Transfer or Correction of Easements, Leases, etc., was revised as set forth on Pages 370 - 371 to be effective February 1, 1986.

RATE SCHEDULE FOR EASEMENTS, LEASES AND GRANTS ON PERMANENT UNIVERSITY FUND LANDS EFFECTIVE FEBRUARY 1, 1986

RATES

A. PIPE LINE EASEMENTS

Standard rates for varying sizes of pipe line, OD diameters, the rates being per rod for a ten-year period, payable in advance:

1. New Pipe Line Construction Rate/Rod
 - a. Lines under 12" \$ 5.00
 - b. Lines 12" and under 24" 11.00
 - c. Lines 24" and over Negotiated
2. Pipe Line Renewal Rate/Rod
 - a. Lines under 12" 4.50
 - b. Lines 12" and under 24" 6.50
 - c. Lines 24" and over Negotiated
3. MINIMUM for a pipe line easement 400.00

B. POWER AND TELEPHONE LINE EASEMENTS

Standard rates for varying types of lines, the rates being per rod for a ten-year period, payable in advance:

1. New Single Pole Construction Rate/Rod
 - a. Single pole distribution (33,000 volts maximum) 2.00
 - b. Single pole transmission 2.75
 - c. Single pole telephone lines 2.00
 - d. Buried telephone cable 3.00
 - e. H-frame pole construction 6.00
 - f. Steel tower construction 11.00
2. Single Pole Renewal Rate/Rod
 - a. Single pole distribution (33,000 volts maximum) 1.40
 - b. Single pole transmission 2.25
 - c. Single pole telephone lines 1.40
 - d. Buried telephone cable 2.25
 - e. H-frame pole construction 5.00
 - f. Steel tower construction 8.00

	RATES
3. MINIMUM for a power or telephone line easement	\$ 400.00
C. SURFACE LEASES (other than grazing)	
1. Standard rates for various leases:	
a. Plant sites, booster stations, etc., per acre per year (payable in advance for a ten-year period; minimum of \$4,000)	60.00
b. Tower sites/year (payable in advance for a ten-year period)	500.00
c. Business sites, residential sites and other miscellaneous leases (annual rental payment)	Negotiated
2. MINIMUM for any type surface lease/year	400.00
D. MATERIAL SOURCE PERMITS (Caliche, etc.)	
1. Standard rate for one project:	
a. Per cubic yard, under 20,000 cubic yards	.90
b. 20,000 cubic yards or over	Negotiated
c. Sale to highway construction (Caliche and "barrow")	Negotiated
2. Caliche Pit Reclamation Surcharge	
a. All caliche sales per yard under 20,000 cubic yards	.60
b. 20,000 cubic yards or over	Negotiated
c. Sale to highway construction (Caliche and "barrow")	Negotiated
3. MINIMUM for each permit	400.00
4. Separate check (made payable to The University of Texas System) must be submitted for State Sales Tax at the then current rate.	
E. ASSIGNMENTS, TRANSFER OR CORRECTION OF EASEMENTS, LEASES, ETC.	
1. The only exception will be if other consideration, in the amount of \$400 or more, such as bonus for a grazing lease is paid to The University of Texas System	400.00
F. FILING FEES ON ALL EASEMENTS SHALL BE PAID AS REQUIRED BY LAW, RULE OR REGULATION.	

With the establishment of the Endowment Fund for Conservation and Land Utilization Programs, twenty percent (20%) of each payment made under the U. T. Lands Damage Schedule will be transferred to that endowment fund.

See related item on Page 365 .

II. COMMON TRUST FUND

U. T. System: Approval of Revisions to The Charter for Common Trust Fund (Previously Referred to as Funds Grouped for Investment) and Establishment of the Guideline Payout Return (Supersedes Policy Adopted by the Board on March 11, 1967).--Following a brief discussion and upon recommendation of the Land and Investment Committee, approval was given to amend The Charter of The University of Texas System Common Trust Fund (previously referred to as Funds Grouped for Investment) as adopted by the U. T. Board of Regents on March 11, 1967, in order to stabilize the amount to be paid each quarter to the beneficiaries of the Common Trust Fund.

Further, the guideline payout return referred to in Article VII of The Charter of The University of Texas System Common Trust Fund will be 8.5% for fiscal year 1986.

The Charter of The University of Texas System Common Trust Fund, as amended, is set forth in its entirety on Pages 372 - 377 .

THE CHARTER OF
THE UNIVERSITY OF TEXAS SYSTEM COMMON TRUST FUND
(Originally Established as
"Funds Grouped for Investment" on June 27, 1932
Amended on February 27, 1948, Amended on March 11, 1967,
and Amended on December 5, 1985)

ARTICLE I

Fund Name, Purpose, and Eligibility for Participation

1. The common trust fund as herein established shall be known as "The University of Texas System Common Trust Fund" (originally designated as "Funds Grouped for Investment") and shall be under the control of the Board of Regents of The University of Texas System, as Trustee.
2. The purpose of the Common Trust Fund is to provide for the collective investment of various endowment and trust funds held by The University of Texas System or by the Board of Regents of The University of Texas System in a fiduciary capacity.
3. No endowment or trust fund shall be admitted unless it is under the sole control, with full discretion as to investments, of the Board of Regents of The University of Texas System and/or an official or officials of The University of Texas System in his official capacity. However, no such official, other than the Board of Regents, the Executive Vice Chancellor for Asset Management, or the Executive Director for Investments and Trusts, shall have any control over the management of the Common Trust

Fund other than to request admittance or withdrawal of any endowment or trust fund under his control as designated trustee thereof. No endowment or trust shall be admitted which contains a specific provision against commingling or whose investment restrictions prohibit purchase of securities as stated in Article II hereof.

4. The fiscal year for the Common Trust Fund shall be from September 1 through August 31 of the succeeding year.

ARTICLE II

Investments

1. All assets of the Common Trust Fund shall at all times be vested in the Board of Regents of The University of Texas System, and such assets shall be deemed to be held by the Board as a fiduciary regardless of the name in which the securities may be registered.
2. The Common Trust Fund may be invested and reinvested in such securities and investments as are permitted by the laws of the State of Texas as legal investments for funds held by trustees. Where not otherwise in conflict with the provisions of this plan, investment and other powers established by the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) shall prevail.
3. The Common Trust Fund shall be further limited to such investments as are eligible under The Common Trust Fund Investment Policy as adopted by the Board of Regents and as amended from time to time.

ARTICLE III

Asset Valuation

1. As of the first valuation date (March 1, 1948) following adoption of the original plans for a common trust fund, units of the Fund were issued for each \$1.00 invested therein, and thereafter additional units were issued and shall be issued from time to time only on the basis of an amount equal to the then per unit value as determined in accordance with Article III, Section 2, hereof. In order to permit complete investment of a given endowment or trust and to avoid fractional units, any donated amount will be assigned a whole number of units in the Fund based on the appropriate per unit value of the Fund. Any amount of the trust or endowment which exceeds the market value of the units assigned will be transferred to the Common Trust Fund, but no unit shall be issued. Each endowment or trust whose monies are invested in the Common Trust Fund shall have an undivided interest in such Fund in the proportion that the number of units invested therein bears to the total number of all units comprising the Common Trust Fund.
2. On or as of the last business day occurring in November, February, May, and August in each fiscal year (the quarterly evaluation date), the net

Market value of all assets held for the Common Trust Fund and the per unit value of the Fund shall be determined. Valuations shall be given no effect on the general ledger and supporting ledgers of the University but shall be memorandum accounts only. Such valuations shall be determined in the following manner:

- a. Listed securities shall be valued at the closing price on the primary exchange on which the stock is traded or at the closing "composite price" as listed in the edition of "The Wall Street Journal" containing the valuation date's prices.
- b. For Over the Counter (OTC) stocks, the stocks shall be valued at the last bid price.
- c. If no sale or bid price is available for the last business day of the quarter, the security shall be valued as of the closest business day preceding the last business day of the quarter on which a sale or bid price is available.
- d. Fixed income securities shall be valued at a price obtained from a recognized bond pricing service.
- e. Mortgages and mortgage participations shall be evaluated by taking the then face value unless there shall be an existing default in the payment of principal and/or income; in which event, the value as determined by the Executive Vice Chancellor for Asset Management in consultation with the Executive Director for Investments and Trusts, from the best information then available, shall be used.
- f. Cash and cash equivalents, consisting of market instruments with a maximum term of 270 days, shall be valued at their book value on the general ledger.
- g. All other assets shall be valued by the Executive Vice Chancellor for Asset Management in consultation with the Executive Director for Investments and Trusts from the best information then available.

The amount determined as provided in (a) through (g) above, after deducting therefrom all expenses chargeable to principal, shall represent the net market value of the assets comprising such Fund; and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

ARTICLE IV

Admissions and Withdrawals

1. Admission to the Common Trust Fund may be made on any quarterly entrance date (September 1, December 1, March 1, and June 1 of each fiscal year) prior to approval of the Board of Regents upon deposit to the Common Trust Fund of cash or securities eligible under The Common Trust Fund

Investment Policy, valued according to the method described in Article III hereof. Securities ineligible under The Common Trust Fund Investment Policy require prior approval of the Board of Regents for deposit to the Common Trust Fund.

2. All admissions made prior to approval of the Board of Regents shall be reported at the first subsequent meeting for ratification by the Board of Regents through the Regents' Land and Investment Committee.
3. Any withdrawals from the Fund require prior approval of the Board of Regents. Withdrawals shall be paid in cash as soon as practicable after the quarterly evaluation date following the approval of the Board of Regents at the market value of the units assigned to the endowment or trust.

ARTICLE V

Segregation of Investments

1. If any investment contained in the Common Trust Fund shall be subsequently determined by the Board of Regents to be an ineligible investment, such investment may, prior to any further admissions to or withdrawals from such Fund, at the discretion of the Executive Vice Chancellor for Asset Management in consultation with the Executive Director for Investments and Trusts, be sold or segregated and set apart in a liquidating account solely for the benefit of those endowments or trusts participating in the Common Trust Fund at the time of such segregation.
2. Each such liquidating account shall be administered in such manner and the proceeds thereof distributed at such time or times as the Executive Vice Chancellor for Asset Management in consultation with the Executive Director for Investments and Trusts deems to be for the best interests of the participants in the Common Trust Fund.

ARTICLE VI

Fund Accounting

1. Gross cash income shall consist of actual cash received as income payments on assets held in the Fund. Net cash income shall be gross cash income less external investment management fees and administrative processing and custodial fees. No charges for services rendered by The University of Texas System Staff shall be paid out of the Common Trust Fund or deducted from the calculation of net cash income.

2. Book value of the Fund shall be maintained on a cash receipts and disbursements basis except that bond premiums and discounts shall be amortized to the earlier of the final maturity date or first par call of the bonds held. Asset write-offs or write-downs shall be determined by the Executive Vice Chancellor for Asset Management in consultation with the Executive Director for Investments and Trusts.
3. Market value of the Fund shall be established as stated in Article III.
4. Any net cash income for a quarter which exceeds the distribution amount for the quarter shall be retained in the Income Reserve Account of the Fund. Such retained income shall not be assigned units in the Fund.

ARTICLE VII

Distribution of Income

1. Distribution shall be made quarterly as soon as practicable after the last calendar day of November, February, May, and August of each fiscal year to the endowment and trust funds participating in the Fund during the respective quarter. The distribution amount shall be the lesser of:
 - (a) one-fourth of an annual guideline percentage established by the Board of Regents of a book value base (originally the book value of the Fund at August 31, 1985) and as redetermined from time to time by the Board of Regents, plus the net admissions and withdrawals to the Fund on each quarterly entrance date occurring after the last period included in the established base; or
 - (b) the net cash income for the quarter plus the Income Reserve Account of the Fund.

ARTICLE VIII

Management of Fund

1. Unless in conflict with specific provisions hereof, the management and investment of the Common Trust Fund shall be under the Executive Vice Chancellor for Asset Management and the Executive Director for Investments and Trusts, such management and investment thereof to be in accordance with the provisions of the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) and The Common Trust Fund Investment Policy approved by the Board of Regents.
2. As stated in Article VI, no charges for services rendered by The University of Texas System Staff shall be paid out of the Common Trust Fund as a fee or commission for the management thereof.

ARTICLE IX

Amendment or Termination of Plan

1. The Board of Regents reserves the right to amend or terminate the Common Trust Fund as it deems necessary or advisable.

III. TRUST AND SPECIAL FUNDS

GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Acceptance of Bequest from the Estate of Mary Elizabeth Earle Aucutt, Fort Worth, Texas, and Establishment of the C. J. and Clara Earle Student Scholarship and/or Loan Fund.-- Approval was given to accept a bequest, estimated to be in excess of \$200,000, from the Estate of Mary Elizabeth Earle Aucutt, Fort Worth, Texas, and to establish the C. J. and Clara Earle Student Scholarship and/or Loan Fund at The University of Texas at Arlington.

Income earned from the endowment will be used to award scholarships and/or loans to deserving students majoring in business in the School of Business.

2. U. T. Arlington: Acceptance of Gift from Martin Sprocket & Gear, Inc., Arlington, Texas, and Establishment of the Joe R. Martin Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a gift of \$50,000 from Martin Sprocket & Gear, Inc., Arlington, Texas, and established the Joe R. Martin Scholars Program at The University of Texas at Arlington.

Income earned from the endowment will be used to grant annual scholarships to undergraduate and graduate students majoring in mechanical engineering.

3. U. T. Austin: Lloyd M. Bentsen, Jr. Chair in Government/Business Relations in the Lyndon B. Johnson School of Public Affairs - Acceptance of Additional Gifts and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.-- The Board accepted \$18,166.34 in gifts from various donors for addition to the Lloyd M. Bentsen, Jr. Chair in Government/Business Relations in the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin for a total endowment of \$836,175.77.

Further, the gifts will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to increase the endowment of the chair.

4. U. T. Austin: R. H. Bing Fellowship in Mathematics in the College of Natural Sciences - Acceptance of Gifts and Pledges from an Anonymous Donor, Mr. Malcolm Brachman, Dallas, Texas, Dr. and Mrs. Roland K. Blumberg, Seguin, Texas, James M. Vaughn, Jr. Vaughn Foundation Fund, Austin, Texas, and Dr. R. H. Bing, Austin, Texas, to Increase Funding of the R. H. Bing Fellowship in Mathematics and Establishment of Five Additional R. H. Bing Fellowships in Mathematics and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Approval was given to accept a \$137,500 challenge grant from an anonymous donor met by a \$20,000 gift from Mr. Malcolm Brachman, Dallas, Texas, a \$12,500 gift and a \$12,500 pledge for a total of \$25,000 from Dr. and Mrs. Roland K. Blumberg, Seguin, Texas, a \$62,500 pledge from the James M. Vaughn, Jr. Vaughn Foundation Fund, Austin, Texas, and a \$30,000 pledge from Dr. R. H. Bing, Austin, Texas, for a total of \$275,000 to increase the endowment of the R. H. Bing Fellowship in Mathematics in the College of Natural Sciences and to establish five additional R. H. Bing Fellowships in Mathematics in the College of Natural Sciences at The University of Texas at Austin. All pledges are payable prior to August 31, 1989.

Further, the gifts and pledges, as received, will be matched under The Regents' Endowed Teachers and Scholars Program and will be used to serially increase or establish the endowments of the six fellowships to \$100,000 each.

5. U. T. Austin: Priscilla Pond Flawn Regents Professorship in Child Development in the College of Natural Sciences - Acceptance of Additional Gifts and Establishment of the Priscilla Pond Flawn Regents Professorship in Organ or Piano Performance in the College of Fine Arts and the Priscilla Pond Flawn Fellowship in Early Childhood Education in the College of Education with Previously Approved and Current Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted \$30,550 in gifts from various donors for addition to the Priscilla Pond Flawn Regents Professorship in Child Development in the College of Natural Sciences at The University of Texas at Austin for a total endowment of \$281,181.50.

Further, these gifts of \$30,550 will be matched under The Regents' Endowed Teachers and Scholars Program and added to \$250,631.50 of previously approved matching funds for a total of \$281,181.50 to establish the Priscilla Pond Flawn Regents Professorship in Organ or Piano Performance in the College of Fine Arts with \$200,000 and the Priscilla Pond Flawn Fellowship in Early Childhood Education in the College of Education with \$81,181.50.

6. U. T. Austin: Shell Companies Foundation Distinguished Chair in Geophysics in the College of Natural Sciences - Approval to Carry Forward Reserved Funds from The Centennial Teachers and Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, authorized that funds reserved for the biennium ending August 31, 1985, under The Centennial Teachers and Scholars Program to match a \$450,000 pledge, payable over the next three years, from the Shell Companies Foundation, Inc., Houston, Texas, be carried forward to the biennium ending August 31, 1989, to meet the remaining matching obligations under terms of acceptance of the gift and pledge. These funds are designated for the Shell Companies Foundation Distinguished Chair in Geophysics in the Department of Geological Sciences, College of Natural Sciences, at The University of Texas at Austin.
7. U. T. Austin: W. St. John Garwood Centennial Professorship in Law in the School of Law - Acceptance of Pledge from The Clayton Fund, Houston, Texas, and Matching Funds from the Sheffield Challenge Fund Endowment Program and Redesignation as the W. St. John Garwood and W. St. John Garwood, Jr. Centennial Chair in Law.--The Board accepted a \$200,000 pledge, payable prior to August 31, 1989, from The Clayton Fund, Houston, Texas, and \$200,000 in matching funds from the Sheffield Challenge Fund Endowment Program for a total of \$400,000 for addition to the W. St. John Garwood Centennial Professorship in Law in the School of Law at The University of Texas at Austin and redesignated this Professorship as the W. St. John Garwood and W. St. John Garwood, Jr. Centennial Chair in Law.
8. U. T. Austin: Frank Thomas Patillo Centennial Fellowship in the College of Fine Arts, Jane Marie Tacquard Patillo Centennial Fellowship in the College of Natural Sciences, Alice Mackie Scott Tacquard Centennial Fellowship in the College of Fine Arts, and Alice Mackie Scott Tacquard Centennial Fellowship in the College of Liberal Arts - Redesignation as Lectureships (No Publicity).-- Authorization was given to redesignate the following at The University of Texas at Austin:
- a. Frank Thomas Patillo Centennial Fellowship in the College of Fine Arts as the Frank Thomas Patillo Centennial Lectureship
 - b. Jane Marie Tacquard Patillo Centennial Fellowship in the College of Natural Sciences as the Jane Marie Tacquard Patillo Centennial Lectureship
 - c. Alice Mackie Scott Tacquard Centennial Fellowship in the College of Fine Arts as the Alice Mackie Scott Tacquard Centennial Lectureship

- d. Alice Mackie Scott Tacquard Centennial Fellowship in the College of Liberal Arts as the Alice Mackie Scott Tacquard Centennial Lectureship

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

9. U. T. Austin: Acceptance of a Cash Gift and Gift of Securities from an Anonymous Donor and Establishment of the Department of Computer Sciences Administrative Endowment in the College of Natural Sciences.--The Board accepted a cash gift of \$600,000 and a gift of \$1,000,000 par value U. S. Treasury 13 3/4% notes due August 15, 1987, with a current market value of \$1,079,375 for a total of \$1,679,375 from an anonymous donor and established the Department of Computer Sciences Administrative Endowment in the College of Natural Sciences at The University of Texas Austin.

Income earned from the endowment will be used to fund the salaries of full-time, senior-level administrative positions in the Department of Computer Sciences in the areas of equipment and facilities, research administration and external affairs, and undergraduate student affairs.

10. U. T. Austin: Acceptance of Gifts and Establishment of the Royal B. Embree, Jr. Scholarship in the College of Education.-- The Board, upon recommendation of the Land and Investment Committee, accepted \$10,723.00 in gifts from family, friends, former students, and colleagues of the late Dr. Royal B. Embree, Jr. and established the Royal B. Embree, Jr. Scholarship in the Department of Educational Psychology, College of Education, at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to graduate students in the Department of Educational Psychology who are interested in the areas of guidance and counseling.

11. U. T. Austin: Acceptance of a Gift and Pledge from Espey, Huston and Associates, Inc. and/or Dr. and Mrs. W. H. Espey, Jr., Austin, Texas, and Transfer of Funds and Establishment of the W. H. Espey Memorial Endowed Presidential Scholarship for Civil Engineers in Environmental and Water Resources Engineering in the College of Engineering.--Approval was given to accept a \$3,500 transfer of previously reported gifts and accumulated interest of \$1,050 from current restricted funds to be combined with a current gift of \$12,500 and a \$7,950 pledge, payable prior to December 31, 1985, for a total of \$25,000 from Espey, Huston & Associates, Inc. and/or Dr. and Mrs. W. H. Espey, Jr., Austin, Texas, and to establish the W. H. Espey Memorial Endowed Presidential Scholarship for Civil Engineers in Environmental and Water Resources Engineering in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to outstanding and worthy graduate students in the Department of Civil Engineering who are interested in environmental and water resources engineering.

12. U. T. Austin: Acceptance of Gifts from Mr. Forrest F. Preece and Linda S. Ball and Good Right Arm, Inc., Austin, Texas, and Establishment of The Good Right Arm Advertising Scholarship for Women Athletes in Intercollegiate Athletics for Women.--Upon recommendation of the Land and Investment Committee, approval was given to accept a \$5,000 gift from Mr. Forrest F. Preece and Linda S. Ball and a \$5,000 gift from Good Right Arm, Inc., all of Austin, Texas, for a total of \$10,000 and to establish The Good Right Arm Advertising Scholarship for Women Athletes in Intercollegiate Athletics for Women at The University of Texas at Austin.

Income earned from the endowment will be used to grant an annual scholarship to a woman athlete currently participating in an official varsity sport at U. T. Austin with an outstanding academic record as an advertising major.

13. U. T. Austin: Acceptance of Gift from Research Corporation, Tucson, Arizona, and Establishment of the Hal H. Ramsey III Memorial Fund in the College of Natural Sciences.--The Board accepted a \$10,000 gift from the Research Corporation, Tucson, Arizona, and established the Hal H. Ramsey III Memorial Fund in the Department of Microbiology, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be for the discretionary use of the Department of Microbiology.

14. U. T. Austin: Acceptance of Gifts and Establishment of the Kenneth Sims Endowed Scholarship for Women's Athletics in Intercollegiate Athletics for Women.--The Land and Investment Committee recommended and the Board accepted \$23,485.98 in gifts from various donors and established the Kenneth Sims Endowed Scholarship for Women's Athletics in Intercollegiate Athletics for Women at The University of Texas at Austin.

Income earned from the endowment will be used to grant a scholarship to women athletes in honor of Mr. Kenneth Sims.

15. U. T. Austin: Acceptance of Transfer of Funds and Establishment of the Bettie Margaret Smith Endowment for Professional Development of Engineering Faculty in the College of Engineering.--Upon recommendation of the Land and Investment Committee, the Board accepted a \$43,426.92 transfer from the Estate of Bettie Margaret Smith and established the Bettie

Margaret Smith Endowment for Professional Development of Engineering Faculty in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used for professional development activities of the College of Engineering faculty.

16. U. T. Austin: Jack G. Taylor Endowment Fund - Acceptance of Transfer of Funds and Establishment of the Jack G. Taylor Endowed Presidential Scholarship in the College of Business Administration and the Graduate School of Business.--The Board, upon recommendation of the Land and Investment Committee, accepted a \$25,000 transfer from the Jack G. Taylor Endowment Fund and established the Jack G. Taylor Endowed Presidential Scholarship in the College of Business Administration and the Graduate School of Business at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to students in the College of Business Administration and the Graduate School of Business who demonstrate financial need and academic achievement as well as future potential.

17. U. T. Austin: Acceptance of Transfer of Funds and Pledge from Mr. R. Earle Wright, Houston, Texas, and Establishment of the R. Earle Wright Endowed Presidential Scholarship in Engineering in the College of Engineering.--Approval was given to accept a \$12,484 transfer of previously reported gifts and earned income from U. T. Austin restricted funds and a pledge of \$12,516, payable prior to January 31, 1990, from Mr. R. Earle Wright, Houston, Texas, for a total of \$25,000 and to establish the R. Earle Wright Endowed Presidential Scholarship in Engineering in the College of Engineering at The University of Texas at Austin.

Income earned from the endowment will be used to grant scholarships to deserving undergraduate or graduate students of U. S. citizenship who are pursuing a degree in the College of Engineering.

18. U. T. Austin: Acceptance of Gift of Lots 11 and 12, Block 3, Pemberton Heights Addition to the City of Austin, Travis County, Texas, from Dr. and Mrs. Clarence L. Cline, Austin, Texas (No Publicity).--Upon recommendation of the Land and Investment Committee, the Board accepted a gift of real property being described as Lots 11 and 12, Block 3, Pemberton Heights Addition to the City of Austin, Travis County, Texas, with an appraised value of \$630,000 at the time of the donation from Dr. and Mrs. Clarence L. Cline, Austin, Texas, who have retained the right to full possession, benefit and use of the property for their joint lives. A recommendation for use of the funds at The University of Texas at Austin will be made to the U. T. Board of Regents at a later date.

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

19. U. T. El Paso: Acceptance of Gifts and Establishment of the Dr. Thomas G. Barnes Physics Fund.-- Approval was given to accept gifts of \$10,214.79 from alumni and friends of U. T. El Paso and to establish the Dr. Thomas G. Barnes Physics Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to provide scholarships to graduate and undergraduate students majoring in physics, purchase equipment and supplies, support the preparation of laboratory manuals, and accelerate the learning process.

20. U. T. El Paso: Acceptance of a Bequest from the Estate of Marion J. Purdy, Mount Kisco, New York, and Establishment of the Richard M. Dudley and Frances M. Dudley Memorial Professorship Fund and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board, upon recommendation of the Land and Investment Committee, accepted a bequest estimated to be in excess of \$100,000 from the Estate of Marion J. Purdy, Mount Kisco, New York, and established the Richard M. Dudley and Frances M. Dudley Memorial Professorship Fund at The University of Texas at El Paso. Distributions received to date total \$96,645.47 and a final report will be made upon receipt of the final distribution.

Further, the actual income which will be earned on the \$96,645.47 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

21. U. T. El Paso: Acceptance of Gifts and Establishment of the El Paso Centennial Museum Fund.-- Approval was given to accept gifts of \$10,355.85 from alumni and friends of the U. T. El Paso Centennial Museum and to establish the El Paso Centennial Museum Fund at The University of Texas at El Paso.

Income earned from this endowment will be used for the operation and acquisition of new materials for the El Paso Centennial Museum.

22. U. T. Tyler: Acceptance of Gift from Mr. Frank M. Burke, Jr., Dallas, Texas, and Corporate Matching Gift from Murphy Oil Corporation, El Dorado, Arkansas, and Establishment of the F. M. and Fannie Burke Fellowship of Excellence and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted a \$30,000 gift from Mr. Frank M. Burke, Jr., Dallas, Texas, and a \$20,000 corporate matching gift from Murphy Oil Corporation, El Dorado, Arkansas, for a total of \$50,000 and established the F. M. and Fannie Burke Fellowship of Excellence at The University of Texas at Tyler.

The actual income which will be earned on the \$50,000 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

23. U. T. Tyler: Robert R. Muntz Memorial Fund - Approval to Revise the Designated Uses of Fund.-- In February 1982, the U. T. Board of Regents accepted a gift of \$200,000 and a pledge of \$1,300,000 to be paid over eight years from the family of Robert R. Muntz and established the Robert R. Muntz Memorial Fund at The University of Texas at Tyler.

Upon recommendation of the Land and Investment Committee and with the intention of correcting the official record to meet auditing requirements, the Board agreed that the Robert R. Muntz Memorial Fund (principal as well as income earned) may be used at the discretion of the President of The University of Texas at Tyler.

The language "for the purpose of promoting academic excellence" was used in the U. T. Board of Regents' formal acceptance of these gift funds in February 1982. In strict audit and legal terms, this language was more restrictive than the intent and wishes of the donor as reflected in correspondence conveying the gift and subsequent clarifying correspondence.

Rapid institutional growth and lagging formula appropriations with corresponding needs to expand program offerings and to upgrade facilities have necessitated the expenditure of some principal as well as earnings from this unrestricted gift.

24. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Acceptance of Gift of Bonds from an Anonymous Donor and Establishment of the Core Nutrition Laboratory Endowment Fund in the Center for Human Nutrition (No Publicity).--Approval was given to accept a gift of \$800,000 par value InterFirst Corporation 7 3/4 convertible debentures due August 15, 2005, with a current market value of \$592,000, from an anonymous donor and to establish the Core Nutrition Laboratory Endowment Fund in the Center for Human Nutrition at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Income earned from the endowment will be used to support research in the field of nutrition.

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

25. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Robert W. Lackey Visiting Professorship - Acceptance of Additional Gifts and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--The Board accepted recent additional gifts totaling \$2,875 from various donors, \$2,025 from gifts received prior to September 1, 1983, and a \$31.79 distribution from the Texas Eminent Scholars Program for addition to the Robert W. Lackey Visiting Professorship for a total endowment of \$69,289.14 at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas.

Further, the actual income which will be earned on the gifts of \$2,875 will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

26. U. T. Health Science Center - Dallas (U. T. Southwestern Medical School - Dallas): Robert L. Moore Professorship in Pediatrics - Acceptance of Additional Gifts and Redesignation as the Robert L. Moore Chair in Pediatrics and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--Upon recommendation of the Land and Investment Committee, the Board accepted gifts totaling \$20,395.83 from various donors for addition to the Robert L. Moore Professorship in Pediatrics at the U. T. Southwestern Medical School - Dallas of The University of Texas Health Science Center at Dallas for a total endowment of \$500,000 and redesignated this professorship as the Robert L. Moore Chair in Pediatrics.

Further, the actual income which will be earned on the gifts of \$20,395.83 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.

27. U. T. Health Science Center - San Antonio (U. T. Medical School - San Antonio): Dale H. Dorn Professorship in Surgery - Acceptance of Additional Gift from the Forest Oil Corporation, Denver, Colorado, and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--Approval was given to accept a \$187,500 cash gift from the Forest Oil Corporation, Denver, Colorado, for addition to the Dale H. Dorn Professorship in Surgery at the U. T. Medical School - San Antonio of The University of Texas Health Science Center at San Antonio for a total endowment of \$375,000.

Further, the actual income which will be earned on the \$187,500 cash gift will be certified for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code.

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

28. U. T. Health Science Center - San Antonio: Acceptance of a Bequest from the Estate of Dorothy McClure, Kerrville, Texas.--The Board, upon recommendation of the Land and Investment Committee, accepted a bequest in the amount of \$107,422.91 from the Estate of Dorothy McClure, Kerrville, Texas, to be used for cardiovascular research at The University of Texas Health Science Center at San Antonio.

IV. OTHER MATTERS

U. T. System: Approval of Policy Statements, Guidelines, and Amendments to Part Two, Chapter V, Section 2.4 (Patent Policy) of the Regents' Rules and Regulations with Regard to the Management of Intellectual Property.--In order to implement a comprehensive intellectual property program for The University of Texas System and its component institutions, the Board adopted (1) a policy statement and guidelines for agreements licensing U. T. System intellectual property, (2) a policy statement and guidelines relating to sponsored research agreements entered into by component institutions, and (3) a policy statement and guidelines for management and marketing of intellectual property as set forth on Pages 386 - 390 .

POLICY AND GUIDELINES RELATING TO INTELLECTUAL PROPERTY LICENSE AGREEMENTS WITH PRIVATE ENTITIES, INCLUDING THOSE FORMED PRIMARILY FOR THE DEVELOPMENT AND/OR COMMERCIALIZATION OF INTELLECTUAL PROPERTY CREATED AT A COMPONENT INSTITUTION OF THE U. T. SYSTEM

It is the policy of the U. T. Board of Regents that state law concerning conflict of interest and Attorney General's Opinions interpreting and defining such laws (A.G.'s Opinion H-1309 [December 1978], in particular, raises and discusses most issues surrounding such conflict of interest) be observed by all officers and employees of the U. T. System and component institutions in their relationships with an entity that is the licensee of U. T. System intellectual property, including one formed primarily for the development and/or commercialization of intellectual property created at a component institution of the U. T. System. Questions in this regard should be referred to the Office of General Counsel of the U. T. System for consideration. Officers or employees are not prohibited from rendering services to such entities as consultants under negotiated contracts. On behalf of any component institution, the U. T. Board of Regents and the Center for Technology Development and Transfer at The University of Texas at Austin, acting pursuant to Section 65.45, Texas Education Code, may participate in the formation, ownership and operation of corporations, partnerships, joint ventures and other activities authorized by such Section for the purpose of developing, manufacturing or marketing intellectual property.

The Office of General Counsel shall develop a model license agreement for U. T. System intellectual property which agreement shall include, as a minimum, the guidelines set forth below. The model agreement shall be submitted to all potential licensees for U. T. System

intellectual property and individuals involved in negotiation of license agreements shall endeavor to achieve utilization of the significant aspects of the model agreement for all licenses of intellectual property rights.

The following guidelines shall be applicable to license agreements with private entities including those formed primarily for the purpose of developing and/or commercializing intellectual property created at a U. T. System component institution:

- a. No entity shall be granted the exclusive right to the development and/or commercialization of all intellectual property created at a U. T. System component institution. Agreements should grant rights only on a specific project basis.
- b. If an entity is granted the exclusive rights with respect to a particular invention, product, process or other item of intellectual property, the agreement should provide that such rights will revert to the U. T. Board of Regents in the event the entity fails to diligently develop and commercialize the property within a specified period of time that is appropriate to the particular circumstances.
- c. An entity that is granted exclusive rights to develop or commercialize intellectual property that is patentable should be required to reimburse the Board for all expenses incurred by the Board in obtaining a patent or, if a patent has not been obtained, should be required to prosecute and bear the expense of obtaining patent protection for the benefit of the Board and, in either event, the entity should be required to take all actions necessary, including litigation, to protect and preserve such patented rights from infringement.
- d. The U. T. System, the component institution, and the officers and employees of each should be protected and indemnified from all liability arising from the development, marketing, or use of the particular intellectual property.
- e. Restrictions on use by the component institution for research and teaching purposes and the publication rights of researchers should be minimized.
- f. If the entity fails to develop and commercialize the property, any additional technology or know-how discovered by the entity should be granted back to the U. T. Board of Regents so that another entity may be offered the right to develop and commercialize the entire technology package.
- g. The entity should be required to comply with all applicable federal, state, and local laws and regulations, particularly those concerning biological materials and necessary testing and approval by the Federal Drug Administration.

- h. The entity should be required to maintain confidentiality with regard to any unpatented technology or know-how.
- i. An entity that grants a license or sublicense to some other entity for property or technology that is in whole or in part derived from or based on that which is licensed to the entity by the Board, should be required to share with the U. T. System: 50% of any royalty received by the entity and 50% of any equity position to which the entity may be entitled.
- j. License agreements should contain such other provisions as may be determined to be in the best interest of the U. T. System by the Office of Asset Management and the Office of General Counsel.
- k. License agreements are subject to the approval of the Board and normally shall be submitted as docket items.

POLICY AND GUIDELINES FOR THE NEGOTIATION,
REVIEW AND APPROVAL OF SPONSORED RESEARCH
PROJECTS WITH NONPROFIT AND FOR PROFIT NON-
GOVERNMENTAL ENTITIES

U. T. System component institutions and individual faculty are encouraged to use their best efforts to obtain sponsored funding for research projects from governmental agencies as well as nonprofit and for profit nongovernmental entities. Each component institution should establish an appropriate organizational structure to solicit sponsors for research projects and to negotiate appropriate agreements with such sponsors with the assistance of the Office of Asset Management and the Office of General Counsel as provided below.

While it is recognized that sponsored research agreements with governmental entities and some nonprofit entities are not normally subject to change through negotiation, the Office of General Counsel shall develop a model sponsored research agreement that the component institution shall submit to all other potential sponsors for research projects.

Additionally, in its Handbook of Operating Procedures, each U. T. System component institution shall devise a system for early identification of proposed sponsored research projects that: (a) have potential for significant research results that may be marketable; and (b) are being developed by sponsors who are unwilling to utilize the significant aspects of the model agreement. Review currently conducted by the Office of the Chancellor and the Office of the U. T. System Comptroller with regard to the appropriateness of any financial obligations on the part of the U. T. System or its component institutions will be continued and, in addition, all sponsored research agreements evolving from the early identification procedure shall be reviewed and approved by the Office of Asset Management and the Office of General Counsel prior to submission to the Board for approval in the institutional docket. In order to facilitate such review and approval, the Office of Asset Management and the Office of General Counsel should be

consulted at an early stage with regard to the negotiation of the terms that deviate from the model agreement. The Office of the Chancellor, the Office of Asset Management, and the Office of General Counsel shall adopt procedures that insure prompt review and response so that important research projects are not delayed by U. T. System Administration involvement.

It is particularly important that the following guidelines be adhered to if at all possible in sponsored research agreements with nonprofit and for profit non-governmental entities:

- a. The U. T. Board of Regents should own the rights to all patentable discoveries, unpatentable technology, technical know-how, and other intellectual property that results from the research project.
- b. The sponsoring entity may have an option for either an exclusive or non-exclusive right to a license to develop and commercialize any intellectual property resulting from the project for a royalty in an amount to be negotiated.
- c. In the event the sponsor exercises the option for a license, it should be required to reimburse the Board for all expenses incurred with respect to a patent that has been secured on any patentable discovery or, in the event a patent has not been obtained, the sponsor should be required to bear the expense of securing patent protection for the benefit of the Board.
- d. The rights of researchers to publish scholarly work with respect to the research project should be restricted only to the extent necessary to protect the potential value of any discovery resulting from the research.
- e. The agreement should contain appropriate indemnification from the sponsor for all damage or liability that may result when a research project involves the use of materials, processes, or procedures that are furnished by or required by the sponsor to be used in such project and such damage or liability is not due to negligence of the persons performing the research.
- f. License agreements that result from the exercise of options in the sponsored research contracts are subject to the approval of the Board through the docket and should contain provisions for the reversion to the Board of all rights to the intellectual property if it is not developed and marketed in a timely manner.

POLICY AND GUIDELINES FOR MANAGEMENT AND
MARKETING OF INTELLECTUAL PROPERTY

The U. T. Board of Regents finds that intellectual property and technology created at the component institutions are valuable assets with potential for commercialization for the benefit of the citizens of the State, State government, the component institutions, and the U. T. System.

As a part of its Handbook of Operating Procedures, each component institution of the U. T. System shall adopt procedures for identifying, evaluating, and marketing intellectual property and technology created at the component institution:

- a. that are not already subject to an option or license pursuant to a sponsored research agreement;
- b. that have not been committed to an entity, including those formed for the primary purpose of development and commercialization of intellectual property created at the component institution; or
- c. the control of which has been regained by the U. T. System through reversion provisions contained in license agreements.

The intellectual property management and marketing procedures that are to be included in institutional Handbooks of Operating Procedures shall contain provisions that recognize and provide the opportunity for the creator and other knowledgeable institutional personnel to play a major role in marketing while making provision for appropriate involvement of the Offices of Asset Management and General Counsel in the management and marketing of the assets of the Board.

In developing handbook procedures, consideration should be given to the utilization of the Center for Technology Development and Transfer at The University of Texas at Austin (established by Section 65.45, Texas Education Code) as a means of developing and marketing available intellectual property created at component institutions.

The Office of General Counsel shall continue to assist in marketing efforts through its activities, such as submitting available intellectual property and technology to appropriate computer data listing services, and to publications that reach prospective licensees.

The Office of Asset Management shall develop appropriate expertise in the area of marketing of technology to complement the efforts of the component institutions and the Office of General Counsel.

On a selective basis, the Office of General Counsel and the Office of Asset Management with the concurrence of the component institution, may utilize the services of intellectual property marketing agencies pursuant to contractual agreements that have been approved by the Board.

Further, approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter V, Section 2.4 (Patent Policy) to read as set forth below and the Executive Secretary to the Board, in consultation with the Office of General Counsel, was authorized to make appropriate editorial changes in the remainder of the Regents' Rules and Regulations that may be necessary in order to conform to the foregoing policies, guidelines, and amendments related to intellectual property.

2.4 Intellectual Property Policy.

2.41 Statement of Basic Philosophy and Objectives.-- While the discovery of patentable processes or inventions and the creation of other intellectual property is not the primary objective of the System, for any such discoveries or creations, it is the objective of the Board to provide an intellectual property policy which will encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication or both. The policy is further intended to protect the respective interest of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the System and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require.

2.411 Each component institution may develop in its Handbook of Operating Procedures additional policies and rules covering the subject matter of this section not inconsistent with this section or other policies or procedures adopted by the Board.

2.42 General Policy.

2.421 The intellectual property policy as adopted shall apply to all persons employed by the component institutions of the System, to anyone using System facilities under the supervision of System personnel, and to postdoctoral and predoctoral fellows.

2.422 This policy shall apply to intellectual property creations of all types, regardless of whether patentable, except for faculty or staff authored written work that is not produced either as work for hire or as a part of the regular work responsibilities of the author.

2.423 It is the intent of this policy to permit the creator of intellectual property maximum freedom in respect to their creations, consistent with their obligations to the System. Any person

affected by this policy who as a result of his or her activities creates intellectual property other than on certain government or other sponsored research projects, where individual grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be made public -- by publication, by development and commercialization after securing available protection for the creation, or both.

2.424 Property rights in intellectual property will be based on the degree of System support, as hereinafter specified.

2.425 The System, with the cooperation of the component institution, will provide review and management services for patentable inventions as well as other intellectual property either by its own staff, through a related Foundation, or by other means.

2.426 It is a basic policy of the System that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by nonexclusive licensing but the public interest may best be promoted by the granting of a limited exclusive license or even an exclusive license for the period of the patent. These determinations will be recommended and made in accordance with the administrative procedures hereinafter set out and with the approval of the Board.

2.43 Institutional Patent Committees and System Intellectual Property Office.

2.431 Patent Committees: To help administer the intellectual property policy at each component institution and to make recommendations to chief administrative officers for further referral to the Office of the Chancellor and the Board (in those cases when action by the Office of the Chancellor and/or the Board is required), Institutional Patent Committees shall be established as directed by the Office of the Chancellor. Each institution at its option may use the term "Intellectual Property Committee" in lieu of "Patent Committee."

2.432 System Intellectual Property Office: To assist the Institutional Patent Committees to provide advice to individual faculty and staff members in intellectual property matters and to

coordinate details in respect to procedures for protecting and marketing intellectual property, a System Intellectual Property Office shall be established.

2.44 Classification of Discoveries by Source of Research Support.

2.441 The intellectual property is unrelated to the individual's employment responsibility, has been developed as a result of the individual's efforts on his or her own time, with no System support or use of System's facilities.

2.442 The intellectual property is related to the individual's employment responsibility, has resulted from activities performed by the individual on System time, with support by State funds, or using System facilities.

2.443 The intellectual property has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a nonprofit or for profit nongovernmental entity or by a private gift to the System.

2.45 Property Rights and Obligations.

2.451 Intellectual property unrelated to the individual's employment responsibility that is developed on an individual's own time and without System support or use of System facilities (see 2.441) is the exclusive property of the creator, and the System has no interest in any such property and no claim to any profits resulting therefrom. Should the creator choose to offer the creation to the System, the Institutional Patent Committee shall recommend as to whether the System should support and finance a patent application or other available protective measures and manage the development and commercialization of the property. If the creator makes the offer after obtaining a patent or other protection, the Institutional Patent Committee shall recommend as to whether the System should reimburse the creator for expenses in obtaining such protection. If the Patent Committee recommends and the creation is accepted for management by the System, the procedures to be followed and the rights of the parties shall be those set out in Subsection 2.4523 following.

2.452 Intellectual property related to the individual's employment responsibility, resulting from activities performed on System time, with support by State funds, or using System facilities. (See 2.442.)

2.4521

Before publishing, a creator of intellectual property that (a) relates to the individual's employment responsibility, (b) results from activities done on System time, (c) is created with support by State funds, or (d) is created using System facilities, shall submit such creations to the Institutional Patent Committee for determination of the System's interest. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may, with the approval of the Chairman of the Institutional Patent Committee and the chief administrative officer, file a patent application or take other steps to obtain available protection prior to the Committee and administrative review provided in the following two subsections. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for expenses in filing the patent application or taking other steps to obtain protection if the decision of the System is to assert and exploit its interests. The Chairman of the Institutional Patent Committee shall notify the System Intellectual Property Office of any such application.

2.4522

If the Institutional Patent Committee recommends that the System not assert and exploit its interest, and that recommendation is approved by the System Intellectual Property Office and the Office of the Chancellor, the creator shall be notified within ninety (90) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property in his or her own right and the System shall not have any further rights, obligations or duties thereto. (In some instances, the Committee may elect to impose certain limitations or obligations, dependent upon the degree of System support.)

2.4523

If the System decides to patent or seek other available protection for intellectual property in which it decides to assert and

exploit its interest, it shall proceed either through its own efforts or those of an appropriate private firm or attorney to obtain protection and manage the intellectual property. Under appropriate circumstances, and with the consent of the General Counsel and the approval of the Attorney General, component institutions may arrange to have services to obtain protection for intellectual property performed by a local outside attorney on a case-by-case basis. It shall be mandatory for all employees, academic and nonacademic, to assign the rights to intellectual property and patents to the Board when such creations fall within Section 2.452. The division of royalties or other income, after cost of licensing and obtaining a patent or other protection for the property have first been recaptured, shall be as follows:

50% to creator
50% to System.

With the prior approval of the Board as an agenda item, a component institution may include provisions in its Handbook of Operating Procedures to adjust the allocation of royalties set forth herein, but in no event shall the creator receive more than 50% or less than 25% of such proceeds. The division of royalties and other income from patents or other intellectual property managed by an intellectual property management concern will be controlled by the terms of the System's agreement with such concern, as approved by the Board. Any other deviation from this rule requires the prior approval of the Board.

2.453 Intellectual property resulting from research supported by a grant or contract with the Federal Government, or an agency thereof, with a nonprofit or for profit nongovernmental entity, or by a private gift to the System. (See 2.443.)

2.4531 Administrative approval of application requests to, and acceptance of grants or contracts with, the Federal Government, or any agency thereof, with a nonprofit or for profit nongovernmental entity, or a private donor that contain provisions that are not consistent with this policy, or other policies

and guidelines adopted by the Board from time to time implies a definite decision that the value to the System of receiving the grant or performing the contract outweighs the impact of any non-conforming provisions of the grant or contract on the basic intellectual property policies and guidelines of the System.

2.4532

The intellectual property policies and guidelines of the System are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in Federal grants and contracts, or grants and contracts with nonprofit and for profit nongovernmental entities or private donors, to the extent of any conflict.

2.4533

In those instances where it is possible to negotiate System-wide intellectual property agreements with the Federal agencies or nonprofit and for profit nongovernmental entities, or private donors and thereby obtain more favorable treatment for the creator and the System, every effort will be made to do so with the cooperation and concurrence of the Office of Asset Management and the Intellectual Property Office after consultation with the Institutional Patent Committee and the chief administrative officer.

2.4534

Employees of the System whose intellectual property creations result from a grant or contract with the Federal Government, or any agency thereof, with a non-profit or for profit nongovernmental entity, or by private gift to the System shall make such assignment of such creations as is necessary in each case in order that the System may discharge its obligation, expressed or implied, under the particular agreement.

2.46 Any agreement altering substantially the basic intellectual property policy of the System as set out in the preceding sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the Office of the Chancellor, and the Board as an agenda item.

2.47 Income from Intellectual Property. The portion of the net income the System retains from royalty or other intellectual property-related income shall be used first to defray the expenses, if any, of the System Intellectual Property Office and thereafter, as approved by the Board, for research purposes at the component institutions where the income providing creation originated. At the option of a component institution, such income may be accumulated in an endowment fund administered by the Office of Asset Management with the income to be distributed to the component institution for such purposes as may be approved by the Board.

2.48 Implementation of Intellectual Property Policy. The Office of Asset Management and the Office of General Counsel through the System Intellectual Property Office shall prepare and distribute to the component institutions such Model Agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of this policy as well as other policies and guidelines adopted by the Board.

ITEM FOR THE RECORD

U. T. Austin - Development Board and Marine Science Institute Advisory Council: Acceptance of Membership.--At the October 1985 U. T. Board of Regents' meeting, Dr. Peter T. Flawn of Austin, Texas, was approved for membership on The University of Texas at Austin Development Board and Marine Science Institute Advisory Council for a term to expire August 31, 1986 and 1988, respectively. Dr. Flawn's acceptance of membership is herewith reported for the record.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regent Rhodes, 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 on October 23, 1985, in Midland, Texas, and held its 73rd Public Auction of Oil and Gas Leases on University Lands.

Ninety-seven thousand (97,000) acres were offered for sale. The terms were a 1/4th royalty, \$50 per acre minimum and a five-year primary term.

The sale reflected the depressed condition of today's oil and gas industry.

The Board received no bids on 23,562 acres and of the 73,438 acres that were sold, the Board received \$5,913,600 for an average of \$80.53 per acre.

On October 1, 1985, the State, at its oil and gas lease sale, averaged \$80.80 per acre for leases sold in West Texas.

The largest bid per acre was \$907 for a 160-acre tract in Reagan County by Parker and Parsley Petroleum Company of Midland, Texas.

Exxon bought the most acreage -- 18,496 and spent the most money -- \$932,100 for an average of about \$50 per acre -- the minimum.

The University's lease sale in November 1983 averaged \$205 per acre. This illustrates how the conditions have changed in the oil and gas industry in just two years.

OTHER MATTERS

1. U. T. Permian Basin: Statement by Chairman Hay; Agreement in Principle with Concept for a Permian Basin Center for Energy and Economic Diversification; Authorization for Executive Committee to Continue Negotiations with Permian Basin Representatives Related to Acquisition and/or Gift of Real Property for Use and Benefit of Center; and Acceptance of an Unrestricted Planning Grant from Odessa Industrial Development Corporation, Odessa, Texas, to Cover Expenses of Center.--Chairman Hay presented the following statement related to the proposed establishment of a Permian Basin Center for Energy and Economic Diversification at The University of Texas of the Permian Basin:

Statement by Chairman Hay

Following the successful attraction of MCC to Austin, an effort greatly influenced by resources made available through The University of Texas at Austin, other cities in Texas increased their high technology development planning. In several areas this effort was guided by Dr. George Kozmetsky, the Board's Executive Associate for Economic Affairs and the Director of the Institute of Constructive Capitalism at U. T. Austin.

During the past two years, this Board has completed agreements with two communities interested in furthering high technology development through cooperative ventures with The University of Texas System.

Specifically, at our June 1984 meeting, plans were completed for an Institute for Biotechnology to be established in association with The University of Texas Health Science Center at San Antonio. Then, at our August 1984 meeting, we completed agreements that resulted in the establishment of an Advanced Robotics Research Institute to be affiliated with The University of Texas at Arlington. These communities recognized the importance of high technology programs to their future economic/business development, and recognized also the importance of strong University related academic and research participation.

At this meeting, President Leach has outlined proposals from the leadership of the Permian Basin area that could result in the establishment of a third such cooperative thrust between The University of Texas System and the Midland and Odessa communities. This effort would be designed to aid in the economic diversification of this region by the application of research results, commercialization of technological developments, introduction of new technologies and various other entrepreneurial activities.

Specifically, what is proposed is a Permian Basin Center for Energy and Economic Diversification to be administered by U. T. Permian Basin, and drawing upon the resources of other component institutions of the U. T. System.

Chairman Hay then called on Regent Roden to present a specific proposal for Board action.

In response to a briefing by President Leach concerning a potential gift of real estate related to a proposed Permian Basin Center for Energy and Economic Diversification, Regent Roden moved that the Board:

- a. Agree in principle with the concept for a Permian Basin Center for Energy and Economic Diversification to be established at The University of Texas of the Permian Basin
- b. Authorize the Executive Committee of the Board in association with President Leach, Executive Vice Chancellor Duncan, and General Counsel Crowson to continue negotiations with Permian Basin representatives related to the acquisition and/or gift of real property for the use and benefit of the proposed Center
- c. Accept on behalf of U. T. Permian Basin a \$500,000 unrestricted planning grant from the Odessa Industrial Development Corporation, Odessa, Texas, to cover initial planning and developmental expenses of the Center.

Vice-Chairman Baldwin and Regent Briscoe seconded the motion which prevailed without objection.

Chairman Hay continued his statement by noting that as is clear from the Board action, there are additional negotiations to be completed before final action can be taken or complete public announcements made. This action should, however, enable us to complete those negotiations at or before our February meeting. We are extremely grateful to the leadership of the Midland/Odessa communities for their commitment to this proposed joint venture and to the Odessa Industrial Development Corporation for providing the seed money to enable us to move the concept to a reality.

When these arrangements are complete, we believe they will prove tremendously beneficial to the economic diversification of this mineral rich area that has been a primary source of wealth to The University of Texas System and the State of Texas in general. We know the cooperation will enhance the teaching and research mission of U. T. Permian Basin and the other U. T. component institutions involved. The Board of Regents congratulates Regent Roden, President Leach and the distinguished business and civic leaders of Midland and Odessa for their vision and foresight in proposing this venture. We look forward to a mutually rewarding experience in partnership with the Permian Basin.

2. U. T. Health Science Center - Dallas: Appointment of Advisory Committee for the Selection of a Chief Administrative Officer (President).--The membership of the Advisory Committee for the Selection of a Chief Administrative Officer (President) at The University of Texas Health Science Center at Dallas is herewith reported for the record. This committee had been constituted pursuant to the Regents' Rules and Regulations, Part One, Chapter II, Section 17:

Advisory Committee for the Selection
of a Chief Administrative Officer
for
The University of Texas Health Science Center at Dallas

System Administration Representatives

Chancellor Hans Mark (Chairman)
Mr. Arthur H. Dilly, Executive Secretary
to the Board

Board of Regents

Regent Jack S. Blanton
Regent Janey Slaughter Briscoe
Regent Tom B. Rhodes

Chief Administrative Officers

Roger J. Bulger, M.D., President, The University
of Texas Health Science Center at Houston
John P. Howe III, M.D., President, The University
of Texas Health Science Center at San Antonio
Dr. James W. Wagener, President, The University
of Texas at San Antonio

Alumni Association, U. T. Southwestern Medical School

Dr. Richard Archer, President

Dean of the U. T. Southwestern Graduate School of
Biomedical Sciences

Dr. William B. Neaves, Dean

Community Representatives

Mrs. Margaret McDermott
Mr. Peter O'Donnell
Mr. Ralph Rogers

Faculty Representatives

Michael S. Brown, M.D.
Joseph L. Goldstein, M.D.
Donald W. Seldin, M.D.
Jonathan W. Uhr, M.D.
Joseph B. Warshaw, M.D.

Student Representatives

Mr. Brady G. Giesler
Mr. Andrew R. Zinn

SCHEDULED MEETING.--Chairman Hay announced that the next meeting of the U. T. Board of Regents would be hosted by The University of Texas Health Science Center at Houston on February 13-14, 1986.

RECESS.--At 4:05 p.m., Chairman Hay announced that the Board would recess to convene in Executive Session to discuss matters pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g) and that the Executive Session would continue on Friday morning (December 6).

* * * * *

Friday, December 6, 1985

At 9:00 a.m. on Friday, December 6, 1985, the members of the Board, except Vice-Chairman Ratliff who was excused from the meeting, reconvened in Executive Session in the Falcon Room of the Classroom Building at The University of Texas of the Permian Basin to discuss matters in accordance with Article 6252-17, Sections 2(e), (f) and (g) of Vernon's Texas Civil Statutes: Litigation, Land Acquisition and Personnel Matters.

RECONVENE.--At 12:10 p.m., the Board reconvened in open session for the purpose of acting on items discussed in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Hay reported that the Board had met in Executive Session in the Falcon Room of the Classroom Building on Thursday afternoon (December 5) following the meetings of the Standing Committees and continued its meeting on Friday morning (December 6) 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 Hay's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Health Science Center - Houston: Settlement of Medical Malpractice Litigation - Mr. Samuel Maldonado, et al.--Regent Briscoe moved that the Office of 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 malpractice lawsuit filed by Mr. Samuel Maldonado, et al, in accordance with the proposal presented in Executive Session.

Regent Roden seconded the motion which carried by unanimous vote.

2. U. T. Health Science Center - San Antonio: Settlement of Medical Malpractice Litigation - Ms. Elva Del Llonida Sanchez, et al.--Upon motion of Regent Briscoe, seconded by Vice-Chairman Baldwin and Regent Yzaguirre, the Office of the Chancellor and the Office of General Counsel were authorized to settle on behalf of The University of Texas Health Science Center at San Antonio the medical malpractice lawsuit filed by Ms. Elva Del Llonida Sanchez, et al, in accordance with the proposal presented in Executive Session.
3. U. T. Austin: Authorization to Continue Negotiations for the Gift/Acquisition of a Library Collection.--Upon motion of Vice-Chairman Baldwin, seconded by Regent Yzaguirre, the Office of the Chancellor, the Administration of The University of Texas at Austin, and the Office of General Counsel were authorized to continue negotiations for the gift/acquisition of a library collection within the parameters discussed in Executive Session with the results of the negotiations to be reported to the Board in an appropriate manner.
4. U. T. Austin: Authorization to Continue Negotiations Related to Drainage Easement and Lease of Real Estate on the Balcones Tract, Austin, Travis County, Texas.--Regent Rhodes moved that the Office of the Chancellor, the Administration of The University of Texas at Austin, and the Office of General Counsel be authorized to continue negotiations with regard to a drainage easement/lease of real estate on the Balcones Tract in Austin, Travis County, Texas, within the parameters discussed in Executive Session and that the results of the negotiations be reported to the Board in an appropriate manner.

Vice-Chairman Baldwin seconded the motion which carried without objection.

5. U. T. Health Science Center - Houston and U. T. Cancer Center: Authorization to Continue Negotiations Related to Land Acquisition in the Vicinity of the Texas Medical Center, Houston, Harris County, Texas.--Regent Milburn moved that the Office of the Chancellor and the Office of General Counsel be authorized to continue negotiations with regard to the acquisition of land in the vicinity of the Texas Medical Center, Houston, Harris County, Texas, within the parameters discussed in Executive Session and that the results of the negotiations be reported to the Board in an appropriate manner. The property is intended for the use and benefit of The University of Texas Health Science Center at Houston and The University of Texas System Cancer Center.

Regent Yzaguirre seconded the motion which prevailed by unanimous vote.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:15 p.m.



Arthur H. Dilly
Executive Secretary

December 13, 1985