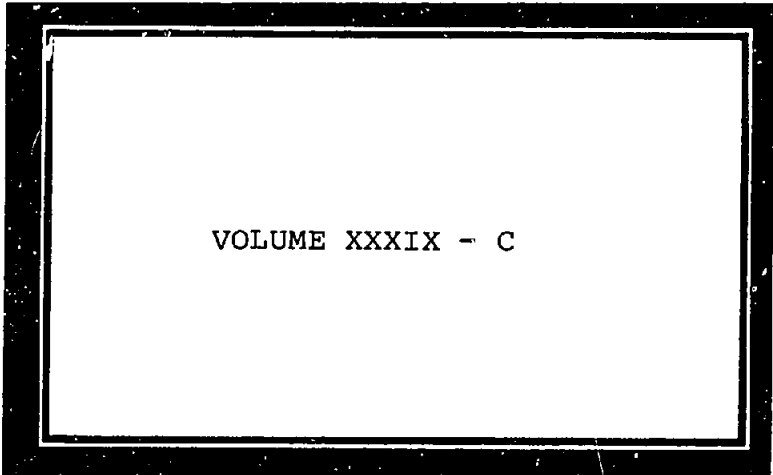


Meeting No. 859

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



VOLUME XXXIX - C

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February 13, 1992

Tyler, Texas

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 OF
 THE UNIVERSITY OF TEXAS SYSTEM
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MEETING NO. 859

THURSDAY, FEBRUARY 13, 1992.--The members of the Board of Regents of The University of Texas System convened in regular session at 10:10 a.m. on Thursday, February 13, 1992, in Room 401 of the Robert R. Muntz Library at The University of Texas at Tyler, Tyler, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Beecherl, presiding	
Vice-Chairman Ramirez	
Vice-Chairman Cruikshank	
Regent Barshop	
Regent Holmes	
Regent Loeffler	
Regent Moncrief	
Regent Rapoport	
Regent Temple	

Executive Secretary Dilly

Chancellor Mark
Executive Vice Chancellor Duncan
Executive Vice Chancellor Mullins
Acting Executive Vice Chancellor Ricks

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

WELCOME BY DR. GEORGE F. HAMM, PRESIDENT OF THE UNIVERSITY OF TEXAS AT TYLER.--Chairman Beecherl stated that the Board was pleased to be meeting at The University of Texas at Tyler and then called on Dr. George F. Hamm, President of U. T. Tyler, for any welcoming remarks on behalf of the host institution.

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

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON DECEMBER 5, 1991.--Upon motion of Regent Rapoport, seconded by Regent Temple, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on December 5, 1991, in Houston, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XXXIX, Pages 511 - 1221.

SPECIAL ITEMS

1. U. T. Board of Regents: Authorization to Restructure the Permanent University Fund Refunding Bonds, Series 1985, Escrow Account; Appointment of Vinson & Elkins, Austin, Texas, as Bond Counsel and Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; and Authorization for Officers of U. T. System to Complete All Transactions.--Chairman Beecherl called upon Acting Executive Vice Chancellor for Asset Management Ricks to review the recommendations related to the restructuring of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985, Escrow Account.

In order to reduce the amount of the Series 1992A Bonds, restructuring the escrow account created in 1985 for the issuance of the 1985 bond issue is required. This escrow account is a consideration in determining the restricted yield in the new escrow account created from the refunding of the Series 1985 bonds.

Chairman Beecherl noted that several members of the Board had expressed concern related to the Permanent University Fund bonding program and called on Vice-Chairman Cruikshank, Chairman of the Asset Management Committee, for comments.

Vice-Chairman Cruikshank reported that the Asset Management Committee had reviewed this restructuring program in detail, and after significant study it was the opinion of the Asset Management Committee that it would be best to go forward with the proposal as outlined by Mr. Ricks to take advantage of the tax and market situations.

Based upon Mr. Ricks' presentation and following a detailed discussion, the Board, upon motion of Regent Barshop, seconded by Vice-Chairman Ramirez:

- a. Authorized the restructure of the Permanent University Fund Refunding Bonds, Series 1985, Escrow Account as provided under the Escrow Agreement by the sale and purchase of U. S. Treasury securities to provide for a more efficient refunding of the Permanent University Fund Refunding Bonds, Series 1985
- b. Appointed Vinson & Elkins, Austin, Texas, as Bond Counsel
- c. Appointed Ernst & Young, Tucson, Arizona, as escrow verification agent
- d. Authorized certain officers and employees of the U. T. System to take any and all steps necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

2. U. T. Board of Regents: Adoption of Resolution Approving and Authorizing the Issuance of Permanent University Fund Refunding Bonds, Series 1992A, in an Amount Not to Exceed \$205,000,000; Authorization for Sale of the Bonds to J. P. Morgan Securities, Inc., New York, New York; Appointment of Vinson & Elkins, Austin, Texas, and Lannen & Moye, Dallas, Texas, as Co-Bond Counsel, Ameritrust Texas, N. A., Austin, Texas, as Escrow and Paying Agent, and Ernst & Young, Tucson, Arizona, as Escrow Verification Agent; and Authorization for Officers of U. T. System to Complete All Transactions.-- Acting Executive Vice Chancellor for Asset Management Ricks reported that interest rates on tax-exempt securities are currently at a twenty-year low. He noted that the Permanent University Fund Refunding Bonds, Series 1985, are the highest rate debt of The University of Texas System with rates as high as 9%.

Based upon Mr. Ricks' presentation, the Board:

- a. Adopted the Resolution substantially in the form set out on Pages 4 - 100 to authorize the issuance of Permanent University Fund Refunding Bonds, Series 1992A, in an amount not to exceed \$205,000,000 and a final maturity of July 1, 2013, to be used to refund \$168,370,000 of Permanent University Fund Refunding Bonds, Series 1985, with a net present value savings to the U. T. System of at least \$5,000,000
- b. Authorized the sale of the Permanent University Fund Refunding Bonds, Series 1992A, to J. P. Morgan Securities, Inc., New York, New York
- c. Appointed Vinson & Elkins, Austin, Texas, and Lannen & Moye, Dallas, Texas, as Co-Bond Counsel
- d. Appointed Ameritrust Texas, N. A., Austin, Texas, as Escrow and Paying Agent
- e. Appointed Ernst & Young, Tucson, Arizona, as Escrow Verification Agent
- f. Authorized certain officers and employees of the U. T. System to take any and all steps necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

An escrow account will be established upon closing of the bond sale and will be funded with the proceeds of the sale. U. S. Government securities will be purchased to provide all necessary debt service on the bonds resulting in a legal defeasance of the bonds.

DRAFT
January 21, 1992

RESOLUTION
authorizing the issuance, sale and delivery of

Board of Regents
of
The University of Texas System
Permanent University Fund Refunding Bonds
Series 1992A

and approving and authorizing instruments and procedures
relating thereto

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RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND
DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
REFUNDING BONDS, SERIES 1992A, AND APPROVING
AND AUTHORIZING INSTRUMENTS AND PROCEDURES
RELATING THERETO

WHEREAS, article VII, section 18 of the Texas Constitution, as amended, authorizes the Board (hereinafter defined) to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined), exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, 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 (hereinafter defined) administration and component institutions of the System; and

WHEREAS, the Board heretofore has authorized, issued, and delivered, pursuant to such constitutional provision, its Series 1985 Bonds, which are now outstanding in the aggregate principal amount of \$206,235,000, and which, along with certain other outstanding obligations of the Board, are secured by a pledge of the Board's two-thirds interest in the Available University Fund; and

WHEREAS, the Board has determined to authorize issuance of its obligations in the maximum aggregate principal amount of \$_____ for the purpose of refunding the Refunded Bonds (hereinafter defined), consisting of a portion of the outstanding Series 1985 Bonds, pursuant to article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and other applicable laws;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

ARTICLE I

DEFINITIONS, INTERPRETATION AND FINDINGS

Section 1.01. DEFINITIONS. Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except the FORM OF BOND appearing in Section 2.06 hereof.

"Additional Parity Bonds and Notes" means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 3.04 hereof or pursuant to Section 12 of the Series 1985 Resolution, Section 3.04 of the Series 1988 Resolution, Section 3.04 of the Series 1991 Resolution or Section 3.04 of the Series 1992B Resolution.

"Authorized Denomination" means \$5,000 principal amount or any integral multiple thereof.

"Authorized Representative" means the Executive Vice Chancellor for Asset Management of the System, or in the event of a vacancy in such position, the person duly authorized to act in such capacity pending the appointment of a successor to such position.

"Available University Fund" means, as provided in article VII, section 18 of the Texas Constitution, as amended, 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.

"Board" means the Board of Regents of the System.

"Bond" or "Bonds" means any one or more, as the case may be, of the bonds authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

"Bond Purchase Contract" means the agreement with the Underwriters providing for the sale of the Bonds authorized by Section 7.04 hereof.

"Bond Year" means the period beginning on July 2 of any calendar year and continuing through July 1 of the following calendar year.

"Code" means the Internal Revenue Code of 1986, as amended.

"Counsel's Opinion" means a written legal opinion of nationally recognized bond counsel acceptable to the Board.

"Defeased Bond" means any Bond the principal of and interest on which is deemed to be paid, retired and no longer outstanding within the meaning of this Resolution, pursuant to and in accordance with Section 7.02 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Escrow Agreement" means the agreement with Ameritrust Texas National Association, as escrow agent, providing for the discharge and defeasance of the Refunded Bonds, authorized by Section 7.06 hereof, as such agreement may be amended from time to time in accordance with the terms thereof.

"Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

"Initial Bonds" means the Bonds authorized, issued, sold and initially delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller of Public Accounts of the State of Texas, has been placed.

"Interest and Sinking Fund" means the Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund described in Section 3.02 hereof.

"Interest of the System," when used with reference to the Available University Fund, means the System's two-thirds interest in the Available University Fund as apportioned and provided in article VII, section 18 of the Texas Constitution, as amended.

"Paying Agent" means the paying agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such paying agent appointed hereunder.

"Paying Agent/Registrar" means the entity acting as both Paying Agent and Registrar hereunder.

"Paying Agent Agreement" means the agreement with the Paying Agent/Registrar authorized by Section 2.14 hereof, and as such agreement may be amended from time to time in accordance with the terms thereof.

"Permanent University Fund" means the Permanent University Fund as created, established, implemented and administered pursuant to sections 10, 11, 11a, 15 and 18 of article VII of the Texas Constitution, as amended, and by other applicable present and future constitutional and statutory provisions.

"Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

"PUF Bonds" means the Bonds, the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992B Bonds and all Additional Parity Bonds and Notes.

"Record Date" means, with respect to any scheduled interest payment date or scheduled principal payment date on the Bonds, the 15th day of the month next preceding such payment date.

"Refunded Bonds" means the Series 1985 Bonds maturing on July 1, in the years 1996 through 2005, both inclusive, and outstanding in the aggregate principal amount of \$168,370,000, which are refunded by the Bonds.

"Registrar" means the registrar and transfer agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such registrar and transfer agent appointed by the Board hereunder.

"Registration Books" means the books or records of the registration and transfer of the Bonds required to be kept by or on behalf of the Board pursuant to Section 2.09 hereof.

"Report" means the verification report prepared by Ernst & Young, Tucson, Arizona, Certified Public Accountants, relating to

the refunding of the Refunded Bonds, a copy of which may be attached to the Escrow Agreement, and any subsequent verification report required by the Escrow Agreement.

"Resolution" means this resolution authorizing the Bonds.

"Series 1985 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1985, issued under the Series 1985 Resolution in the original aggregate principal amount of \$345,970,000.

"Series 1985 Resolution" means the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds, as such resolution may be amended from time to time.

"Series 1988 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1988, issued under the Series 1988 Resolution in the original aggregate principal amount of \$100,000,000.

"Series 1988 Resolution" means the resolution adopted by the Board on April 14, 1988, authorizing the issuance of the Series 1988 Bonds, as such resolution may be amended from time to time.

"Series 1991 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1991, issued under the Series 1991 Resolution in the original aggregate principal amount of \$254,230,000.

"Series 1991 Resolution" means the resolution adopted by the Board on February 14, 1991, authorizing the issuance of the Series 1991 Bonds, as such resolution may be amended from time to time.

"Series 1992B Bonds" means the Board's Permanent University Fund Bonds, Series 1992B, authorized to be issued under the Series 1992B Resolution in the maximum original aggregate principal amount of \$_____; provided, that, all references herein to the Series 1992B Bonds shall be of no force and effect if the Series 1992B Bonds are not actually issued and delivered subsequent to the issuance and delivery of the Bonds.

"Series 1992B Resolution" means the resolution adopted by the Board on the date hereof authorizing the issuance of the Series 1992B Bonds, as such resolution may be amended from time to time; provided, that, all references herein to the Series 1992B Resolution shall be of no force and effect if the Series 1992B Bonds are not actually issued and delivered subsequent to the issuance and delivery of the Bonds.

"System" means The University of Texas System, including each of the following existing and operating institutions, respectively:

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

together with every other institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board pursuant to law.

"Underwriters" means the investment banking firm or firms that contract to purchase the Bonds, pursuant to the Bond Purchase Contract in accordance with Section 7.04 of this Resolution.

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

Section 1.03. INTERPRETATION. Unless the context requires otherwise, words of the singular number used in this Resolution shall be construed to include correlative words of the plural number and vice versa, and words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa. References in this Resolution to numbered Articles, Sections or portions thereof shall refer to the respec-

tive Articles and Sections of this Resolution, unless expressly specified otherwise. The terms "hereof," "herein," "hereunder" and similar terms shall refer to this Resolution as a whole and not to any particular provision of this Resolution. This Resolution and all the terms and provisions hereof shall be liberally construed to effectuate the provisions set forth herein and to sustain the validity of this Resolution.

ARTICLE II

AUTHORIZATION AND TERMS OF THE BONDS

Section 2.01. AUTHORIZATION AND AUTHORIZED AMOUNT. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, Bonds are hereby authorized to be issued, in the maximum aggregate principal amount of TWO HUNDRED _____ MILLION DOLLARS (\$2_0,000,000) for the purpose of obtaining funds to refund the Refunded Bonds, all in accordance with and subject to the terms, conditions and limitations contained herein. The Bonds are Additional Parity Bonds permitted to be issued under Section 12 of the Series 1985 Resolution, Section 3.04 of the Series 1988 Resolution, Section 3.04 of the Series 1991 Resolution and Section 3.04 of the Series 1992B Resolution on a parity and in all respects of equal dignity with the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992B Bonds.

Section 2.02. DESIGNATION, FORM, NUMBERS, DATE AND DENOMINATION OF THE BONDS. Each Bond shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BOND, SERIES 1992A". The Bonds shall be issuable only in fully registered form without coupons. The Bonds shall be lettered and numbered separately from 1 upward prefixed by the letter R. Each Bond shall be in an Authorized Denomination and shall be dated as of the first calendar day of the month in which such Bond is sold pursuant to Section 7.04 of this Resolution.

Section 2.03. INTEREST PAYMENT DATES, INTEREST RATES AND MATURITY OF THE BONDS. Interest on the Bonds shall be payable on the first January 1 or July 1 that is at least sixty (60) days following the date of the Bonds and continuing on each January 1 and July 1 thereafter until maturity or prior redemption. The Bonds shall bear interest at the fixed rate or rates of interest per annum, calculated on the basis of a 360-day year composed of twelve 30-day months, as set forth in the Bond Purchase Contract; provided that (i) the interest rate or rates for the Bonds must be in a multiple of 1/8 of 1% or 1/20 of 1%, with all of the Bonds of

the same maturity bearing the same interest rate, (ii) the maximum interest rate per annum borne by any Bond must not exceed 15%, (iii) the highest interest rate on any Bond must not exceed the lowest interest rate on the Bonds by more than 4.0%, and (iv) the interest rate on Bonds of any maturity must not be less than the interest rate on Bonds of any earlier maturity. The Bonds shall mature and become payable (either by scheduled maturity or pursuant to mandatory sinking fund redemption provisions), subject to prior redemption, on July 1 of the years set forth in the Bond Purchase Contract; provided, that, the final maturity of the Bonds shall be on or before July 1, 2013.

Each Initial Bond and each Bond authenticated prior to the first Record Date on the Bonds shall bear interest from the date thereof. Each Bond authenticated on or after the first Record Date on the Bonds shall bear interest from the interest payment date immediately preceding the date of authentication, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case such Bond shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any exchange or replacement Bond the interest on the Bond it replaces or for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full.

Section 2.04. REDEMPTION PRIOR TO MATURITY. (a) The Bonds are subject to optional redemption prior to stated maturity on the redemption dates and at the redemption price set forth in the FORM OF BOND appearing in this Resolution. The Bonds shall be subject to mandatory sinking fund redemption prior to stated maturity at a redemption price of par, without premium, plus accrued interest to the redemption date, in the amounts and on the dates as set forth in the Bond Purchase Contract.

(b) (i) Notice of any redemption shall be given to the registered owners of the Bonds to be redeemed, all as set forth in the FORM OF BOND appearing in this Resolution.

(ii) In addition to the notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securi-

ties depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(iii) Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iv) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

Section 2.05. MEDIUM AND PLACE OF PAYMENT. The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the principal office for payment of the Paying Agent. Interest on the Bonds shall be payable by the Paying Agent on each interest payment date, by check dated as of such interest payment date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears on the Record Date preceding each such interest payment date. In addition, interest may be paid by such other method acceptable to the Paying Agent requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in this Resolution shall be payable to the registered owner thereof at the principal office for payment of the Paying Agent upon presentation and surrender thereof for redemption and payment at such principal office for payment. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements among the Board and DTC.

Section 2.06. FORM OF BOND. (a) The form of all Bonds issued under this Resolution shall be substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF BOND

NO. _____ PRINCIPAL AMOUNT \$ _____
UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND REFUNDING BOND
SERIES 1992A

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP NO.</u>
_____ %	_____	_____, 1992	_____

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to _____ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the dated date specified above to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on the first January 1 or July 1 that is at least sixty days following the dated date specified above, and semiannually on each January 1 and July 1 thereafter, except that if the date of authentication of this Bond is later than July 1, 1992, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal office for payment of Ameritrust Texas National Association in Dallas, Texas, which initially is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such

check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal office for payment of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal office for payment of the Paying Agent/Registrar. The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds authorized to be issued in the maximum aggregate principal amount of \$2_0,000,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD'S PERMANENT UNIVERSITY FUND REFUNDING BONDS, SERIES 1985, MATURING ON AND AFTER JULY 1, 1996, IN THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF \$168,370,000.

ON JULY 1, 2002, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any available and lawful source, as a whole or in part in any integral multiple of \$5,000 principal amount, and if in part, the

particular Bonds or portions thereof to be redeemed shall be selected and designated by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000 principal amount), at a redemption price of par, without premium, plus accrued interest to the date fixed for redemption; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

*[The Bonds of this Series maturing on July 1, _____ are subject to mandatory sinking fund redemption prior to their scheduled maturity/maturities in the following amounts, on the following dates at a price of par, without premium, plus accrued interest to the date fixed for redemption:

<u>Redemption Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
	\$ _____

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.]

*Include bracketed language (with all blanks appropriately completed) if the Bond Purchase Contract provides that the Bonds of any maturity are subject to mandatory sinking fund redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date on the Registration Books kept by the Paying Agent/Registrar; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive from the Paying Agent/Registrar the redemption price plus accrued interest, out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 principal amount, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 principal amount may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and

with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion hereof in any integral multiple of \$5,000 principal amount to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this Bond shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of \$5,000 principal amount or any integral multiple thereof. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 principal amount as requested in writing by the appropriate registered owner or assignee, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for converting and exchanging any Bond or any portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange.

THE PAYING AGENT/REGISTRAR shall not be required to make any transfer of registration of this Bond or any portion hereof, or any conversion and exchange hereof (i) during the period commencing

with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the fund (the "Available University Fund") consisting of the dividends, interest and other income (less administrative expenses) from the Permanent University Fund that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with article VII, section 18 of the Texas Constitution and other applicable laws.

THE BOARD heretofore has issued its \$345,970,000 Permanent University Fund Refunding Bonds, Series 1985 (\$168,370,000 in aggregate principal amount of which are being refunded by the Bonds), its \$100,000,000 Permanent University Fund Refunding Bonds, Series 1988, and its \$254,230,000 Permanent University Fund Refunding Bonds, Series 1991. All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid

interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the Board, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Board.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chairman of the Board and countersigned with the manual or facsimile signature of the Executive Secretary of the Board, and has caused the official seal of the Board to be duly impressed, or placed in facsimile, on this Bond.

(facsimile signature)
Executive Secretary, Board of
Regents of The University of
Texas System

(facsimile signature)
Chairman, Board of Regents
of The University of Texas
System

(BOARD SEAL)

(b) The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be affixed or attached to each of the Initial Bonds and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

REGISTER NO. _____

THE STATE OF TEXAS

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has this day been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas this

Comptroller of Public Accounts
of the State of Texas

(c) A Paying Agent/Registrar's Authentication Certificate shall be printed on each Bond, in substantially the following form:

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that the initial Bonds of the series of Bonds of which this Bond is a part were approved by the Attorney General of the State of Texas.

_____, TEXAS
Paying Agent/Registrar

Dated

Authorized Signature

(d) Assignment provisions shall be printed on the back of each Bond, in substantially the following form:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

(Assignee's Social Security or Taxpayer Identification Number)

(print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Date: _____

Signature Guaranteed:

NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

Registered Owner
NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond.

(e) The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Authorized Representative, be printed on the Bonds but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bond.

Section 2.07. EXECUTION OF BONDS. The Bonds shall be executed on behalf of the Board by the Chairman and the Executive Secretary of the Board, by their manual or facsimile signatures, and the official seal of the Board shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by said officers of the Board, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds. In the event that any officer of the Board whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile

signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.08. AUTHENTICATION OF BONDS. Except for the Initial Bonds, which shall not be authenticated by the Registrar, all other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 2.06 of this Resolution. No Bonds, except for the Initial Bonds, shall be deemed to be issued or outstanding, or be valid or obligatory for any purpose, or be entitled to any security or benefit of this Resolution unless and until such Bond has been duly authenticated by the Registrar by the execution of the certificate of authentication appearing on such Bond. The certificate of authentication appearing on any Bond shall be deemed to have been duly executed by the Registrar if dated and manually signed by an authorized signatory of the Registrar. It shall not be required that the same signatory of the Registrar sign the certificate of authentication on all the Bonds.

The Registrar shall authenticate any Bonds issued in exchange, substitution or replacement of other Bonds by executing the certificate of authentication appearing thereon, upon satisfaction of the conditions set forth in Section 2.09 hereof.

Section 2.09. REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF BONDS. (a) The Board shall keep or cause to be kept at the principal office for payment of the Registrar books or records of the registration and transfer of the Bonds, and the Board hereby appoints the Registrar as agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Board and Registrar may prescribe. The Registrar shall make such transfers and registrations as provided herein.

The Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided. It shall be the duty, however, of each registered owner to notify the Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books during regular business hours of the Registrar, but otherwise the Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the principal corporate trust office of the Registrar, together with a written

request therefor duly executed by the registered owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Registrar, at the option of the registered owner or such assignee, as appropriate, be converted into and exchanged for fully registered Bonds, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bond so surrendered, and payable to the appropriate registered owner or assignee, as the case may be.

Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee thereof, and (ii) the right of such assignee to have the Bond or any such portion thereof registered in the name of such assignee. A form of assignment shall be printed or endorsed on each Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon the assignment and surrender of any Bond or portion thereof for transfer of registration, an authorized representative of the Registrar shall make such transfer in the Registration Books, and shall deliver a new, fully registered substitute Bond having the characteristics herein described, payable to such assignee (which then will be the registered owner of such new Bond), or to the previous registered owner in case only a portion of a Bond is being assigned and transferred, all in conversion of and exchange for said assigned Bond or any portion thereof.

Bonds issued and delivered in conversion of and exchange for any other Bonds assigned and transferred or converted shall be in any Authorized Denomination requested in writing by the registered owner or assignee thereof, shall have all the characteristics and shall be in the form prescribed in the FORM OF BOND set forth in this Resolution, shall be in the same outstanding aggregate principal amount and shall have the same principal maturity date and bear interest at the same rate as the Bonds for which they are exchanged. The Board shall pay the Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registrar shall not be required to make any transfer of registration, conversion and exchange, or replacement (i) of any Bond or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion

thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(c) If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination requested by the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation, at the expense of the Board.

(d) In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Registrar shall cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Board and to the Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the Board and to the Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or mutilation of a Bond, the applicant shall surrender to the Registrar for cancellation the Bond so damaged or mutilated.

Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this subsection.

Prior to the issuance of any replacement bond, the Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Board whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) The Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Board or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof. For purposes of Section 6 of article 717k-6, Texas Revised Civil Statutes Annotated, as amended, this Section of this Resolution shall constitute authority for the issuance of any substitute, exchange or replacement Bond hereunder without necessity of further action by the Board or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect provided in this Resolution. Upon the execution of the Paying Agent/Registrar's Authentication Certificate appearing on any converted and exchanged or replaced Bond, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the initial Bonds originally issued pursuant to this Resolution, approved by the Attorney General.

Section 2.10. BOOK-ENTRY ONLY SYSTEM. As provided in Section 7.04 of this Resolution, the Initial Bonds shall be delivered against payment to the Underwriters thereof. The Underwriters shall be required to promptly surrender the initial Bonds to the Registrar for exchange. Bonds issued in exchange shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibil-

ity or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Board and the Paying Agent/Registrar); or (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository. If the Board fails to locate another qualified securities depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Bonds, all references herein to DTC shall be of no further force or effect.

Section 2.11. CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be cancelled and destroyed by the Paying Agent/Registrar.

Section 2.12. TEMPORARY BONDS. Pending the preparation of definitive Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, with provision for registration and with such appropriate insertions, omissions, substitutions and other variations as the authorized officers of the Board executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor Bonds of the same maturity and interest rate, in definitive form, in Authorized Denominations, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange shall be made without the making of any charge therefor to any holder of Bonds.

Section 2.13. OWNERSHIP OF BONDS. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Board, the Paying Agent/Registrar shall not be affected by any notice to the contrary. Payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums so paid.

Section 2.14. PAYING AGENT AND REGISTRAR; PAYING AGENT AGREEMENT. The appointment of Ameritrust Texas National Association, with its principal office for payment in Dallas, Texas, as Paying Agent for the purpose of making the payments of principal of and interest on the Bonds, and as Registrar to keep the Registration Books and make transfers, exchanges and replacements of Bonds hereunder on behalf of the Board, is confirmed and ratified hereby. Pursuant to Article 717k-6, Texas

Revised Civil Statutes Annotated, as amended, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as set forth in Section 2.09 hereof hereby is imposed upon the Registrar. The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent and Registrar hereunder and under the Paying Agent Agreement. The Authorized Representative is hereby authorized to approve, execute and deliver for and on behalf of the Board the Paying Agent Agreement to reflect the appointment, responsibilities and compensation of the Paying Agent/Registrar, such approval to be conclusively evidenced by the Authorized Representative's execution thereof.

The Board hereby covenants with the registered owners of the Bonds that it will (i) pay the fees and charges, if any, of the Paying Agent/Registrar for its services with respect to the payment of the principal of, premium, if any, and interest on the Bonds, when due, and (ii) pay the fees and charges, if any, of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds, but solely to the extent provided in this Resolution.

Section 2.15. SUBSTITUTE PAYING AGENT/REGISTRAR. The Board covenants with the registered owners of the Bonds that, at all times while the Bonds are outstanding, the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of Paying Agent and Registrar for the Bonds under this Resolution, and that the Paying Agent and Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that it will promptly appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting

the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 2.16. INITIAL BONDS; APPROVAL BY ATTORNEY GENERAL; REGISTRATION BY COMPTROLLER. There shall be one Initial Bond for each maturity, numbered consecutively in the order of their maturity. Each Initial Bond shall be registered in the name, or at the direction, of J. P. Morgan Securities Inc. The Initial Bonds shall be submitted to the Attorney General of the State of Texas for approval and shall be registered by the Comptroller of Public Accounts of the State of Texas.

ARTICLE III

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS; ADDITIONAL PARITY BONDS AND NOTES

Section 3.01. SECURITY AND PLEDGE. Pursuant to the provisions of section 18 of article VII of the Texas Constitution, as amended, all the Bonds, and any Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured, together with the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992B Bonds, by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

Section 3.02. PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund." The Board and the officers of the System shall cause the Comptroller of Public Accounts of the State of Texas, in addition to taking the actions required by the Series 1985 Resolution to pay the Series 1985 Bonds, by the Series 1988 Resolution to pay the Series 1988 Bonds, by the Series 1991 Resolution to pay the Series 1991 Bonds and by the Series 1992B Resolution to pay the Series 1992B Bonds, (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of the System in the Available University Fund), on or before each date upon which principal of, premium, if any, or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent/Registrar on or before each such date, the amounts of interest or principal, premium and interest which will come due on

the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent/Registrar on or before each such date.

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution or the Series 1985 Resolution or the Series 1988 Resolution or the Series 1991 Resolution or the Series 1992B Resolution, substantially the same procedures as provided above shall be followed in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment (paying agents) and Paying Agents and Registrars and dates and methods of payment and other procedures not in conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 3.03. DISPOSITION OF FUNDS. After provision has been made for the payment of the principal of and interest on the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992B Bonds, the Bonds and any Additional Parity Bonds and Notes, when issued, the balance of the Interest of the System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it lawfully may direct.

Section 3.04. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional bonds and notes on a parity with the Bonds, the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992B Bonds in as many separate installments or series as deemed advisable by the Board, but only for the purposes and to the extent provided in article VII, section 18 of the Texas Constitution, as amended, or in any amendment hereafter made to said article VII, section 18 of the Texas Constitution, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992B Bonds and the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity with each other and with the Series 1985 Bonds, the Series 1988 Bonds, the

Series 1991 Bonds and the Series 1992B Bonds. It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Authorized Representative, or some other officer of the 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 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 Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of said proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) all Bonds and Additional Parity Bonds and Notes and (ii) all other obligations of the Board, including but not limited to the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992B Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes 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 Parity Bonds or Notes is issued.

For purposes of calculating the Principal and Interest Requirements under this section with respect to any obligations of the Board bearing interest at interest rates that are variable or adjustable, the "maximum rate then permitted by law," for purposes of the definition of "Principal and Interest Requirements" set forth in Section 1.01 hereof, shall be deemed to be the maximum "net effective interest rate" permitted under article 717k-2, Texas Revised Civil Statutes Annotated, as such article may be amended from time to time, or such other maximum interest rate permitted to be borne by such obligations by then-applicable law. In addition, for purposes of this Resolution, including but not limited to subsection 3.04(b) above, any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund.

ARTICLE IV

REMEDIES

Section 4.01. REMEDIES. Any owner or holder of any of the Bonds or Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

ARTICLE V

GENERAL COVENANTS OF THE BOARD

Section 5.01. GENERAL COVENANTS OF THE BOARD. The Board covenants and agrees, in addition to the other covenants of the Board hereunder, as follows:

(a) That while any PUF Bonds are outstanding and unpaid the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;

(b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

(c) That the Board duly and punctually will pay or cause to be paid the principal of every PUF Bond, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all PUF Bonds, when issued, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it faithfully will do and perform and at all times will observe fully all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations;

(d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obliga-

tions payable from the Interest of the System in the Available University Fund is specifically reserved by the Board; and 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 the Board will, subject to the provisions hereof, continuously preserve the Permanent University Fund and each and every part thereof; and

(e) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices, and that as soon after the close of each fiscal year (September 1 to August 31, inclusive) as reasonably may be done the Board will furnish to all bondholders and owners who may so request, such audits and reports by the State Auditor of Texas for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor of Texas is required by applicable law to prepare and distribute, and the unaudited financial statements of the System and the annual report on investments in the Permanent University Fund.

ARTICLE VI

PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 6.01. GENERAL TAX COVENANT. The Board intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Code, and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees to comply with each requirement of this Article VI; provided, however, that the Board shall not be required to comply with any particular requirement of this Article VI if the Board has received a Counsel's Opinion that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article VI will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article VI.

Section 6.02. USE OF PROCEEDS. The Board covenants and agrees that its use of the Net Proceeds of the Bonds and the Refunded Bonds will at all times satisfy the requirements set forth in this Section. When used in this Article VI, the term Net Proceeds, when used with respect to the Bonds and the Refunded Bonds, shall mean the proceeds from the sale of the Bonds and the Refunded Bonds, as the case may be, including investment earnings on the proceeds of such issue, less accrued interest with respect to such issue.

(a) The Board will use all of the Net Proceeds of the Bonds to acquire the "Escrowed Securities" referred to in the Escrow Agreement sufficient to pay the principal of or interest on the Refunded Bonds and to pay the costs of issuing the Bonds except for amounts, if any, described in the Report as the rounding amount and the ending cash balance in the escrow fund established pursuant to the Escrow Agreement. The Board has limited and will limit the amount of original or investment proceeds of the Refunded Bonds to be used (other than use as a member of the general public) in the trade or business of any person other than a governmental unit to an amount aggregating no more than ten percent of the Net Proceeds of the Refunded Bonds ("private-use proceeds"). For purposes of this Section, the term "person" includes any individual, corporation, partnership, unincorporated association, or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with respect to persons other than natural persons, any activity other than an activity carried on by a governmental unit. Any use of proceeds of the Refunded Bonds or the Bonds in any manner contrary to the guidelines set forth in Revenue Procedures 82-14, 1982-1 C.B. 459, and 82-15, 1982-1 C.B. 460, including any revisions or amendments thereto, shall constitute the use of such proceeds in the trade or business of one who is not a governmental unit.

(b) The Board has not permitted and will not permit more than five percent of the Net Proceeds of the Refunded Bonds to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Refunded Bonds. Further, the amount of private-use proceeds of the Refunded Bonds in excess of five percent of the Net Proceeds of the Refunded Bonds ("excess private-use proceeds") did not and will not exceed the proceeds of the Refunded Bonds expended for the governmental purpose of the Refunded Bonds to which such excess private-use proceeds relate.

(c) The Board has not permitted and will not permit an amount of proceeds of the Refunded Bonds exceeding the lesser of (i) \$5,000,000 or (ii) five percent of the Net Proceeds of the Refunded

Bonds to be used, directly or indirectly, to finance loans to persons other than governmental units.

Section 6.03. NO FEDERAL GUARANTY. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and applicable regulations thereunder, except as permitted by section 149(b)(3) of the Code and such regulations.

Section 6.04. BONDS ARE NOT HEDGE BONDS. The Board represents that not more than 50 percent of the proceeds of each issue of bonds refunded by the Refunded Bonds was invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Board reasonably expected at the time each issue of bonds refunded by the Refunded Bonds was issued that at least 85 percent of the spendable proceeds of each such issue would be used to carry out the governmental purposes of such issues within the corresponding three-year period beginning on the respective dates of issue of such bonds.

Section 6.05. NO-ARBITRAGE COVENANT. The Board shall certify, through the Authorized Representative that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Board will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from proceeds of the Bonds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder.

Section 6.06. ARBITRAGE REBATE. The Board will take all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code) be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Board allocable to other bond issues of the Board or moneys that do not represent gross proceeds of any bonds of the Board, (ii)

calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary of the date of delivery of the Bonds, all amounts required to be rebated to the federal government. Further, the Board will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 6.07. INFORMATION REPORTING. The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and applicable regulations thereunder.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 7.02. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of

redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 3.04 hereof or any other purpose.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 7.03. AMENDMENT OF RESOLUTION. (a) The owners of PUF Bonds aggregating 51% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

- (1) Make any change in the maturity of the outstanding PUF Bonds;

- (2) Reduce the rate of interest borne by any of the outstanding PUF Bonds;
- (3) Reduce the amount of the principal payable on the outstanding PUF Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the PUF Bonds then outstanding; or
- (6) Change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

(b) If at any time the Board shall desire to amend a resolution under this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent/registrar for the PUF Bonds for inspection by all owners of PUF Bonds. Such publication is not required, however, if notice in writing is given to each owner of PUF Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all PUF Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then outstanding PUF Bonds and all future PUF Bonds thereafter shall be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a PUF Bond pursuant to the provision of this Section shall be irrevocable for a period of six months from the date of the first publication or other service

of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same PUF Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such PUF Bonds and the Board, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then-outstanding PUF Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section the ownership and other matters relating to all PUF Bonds shall be determined from the registration books kept for such bonds by the respective paying agent/registrar therefor.

Section 7.04. ISSUANCE AND SALE OF BONDS. (a) The Authorized Representative is hereby authorized to act for and on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Authorized Representative, acting for and on behalf of the Board, shall determine the date for issuance and sale of the Bonds and the amount of Bonds to be issued and sold. The Authorized Representative, acting for and on behalf of the Board, is also hereby authorized to approve, execute and deliver the Bond Purchase Contract with the Underwriters and therein to set forth the price at which the Bonds shall be sold, the principal amortization schedule for the Bonds, the rate or rates of interest to be borne by the Bonds and other matters relating to the issuance, sale and delivery of the Bonds and the refunding of the Refunded Bonds; provided, that, the Bond Purchase Contract must provide for the Bonds to be sold on terms that produce (i) scheduled maturities that comply with Section 2.03 of this Resolution, (ii) interest rate or rates that comply with Section 2.03 of this Resolution, (iii) a present value savings of not less than \$5,000,000 when the scheduled debt service payable on the Bonds during each Bond Year is subtracted from the scheduled debt service payable on the Refunded Bonds during the same Bond Year and the remainder is discounted to the date of the Bond Purchase Contract at a discount factor equal to the yield on the Bonds determined in accordance with section 148 of the Code, and (iv) a sales price for the Bonds at not less than 95 percent of the par amount thereof (plus accrued interest from the date of the Bonds to the date of delivery thereof against payment therefor). The Authorized Representative's approval of the Bond Purchase Contract shall be conclusively evidenced by his execution thereof. J. P. Morgan Securities Inc., is hereby designated as the senior managing underwriter. The Authorized Representative, acting for and on behalf of the Board, shall select such additional investment banking firms as deemed appropriate to assure that the Bonds are sold on advantageous terms. It is further provided, however, that

notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations, as required by article 717q, Texas Revised Civil Statutes Annotated, as amended.

(b) Prior to execution of the Bond Purchase Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause a preliminary official statement to be prepared for distribution by the Underwriters to prospective purchasers of the Bonds, such document to be in substantially the form attached to this Resolution, which form is hereby approved, but with such changes and completions as the Authorized Representative may deem necessary or appropriate to enable the Authorized Representative, acting for and on behalf of the Board, to deem the preliminary official statement to be final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). Within seven business days after the execution of the Bond Purchase Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause a final official statement to be provided to the Underwriters in compliance with Rule 15c2-12.

(c) Following the execution of the Bond Purchase Contract, the Authorized Representative shall notify the Paying Agent/Registrar in writing of the identity of the Underwriters and of the following terms for the Bonds: dated date; principal amount; date for issue; maturities; rate or rates of interest; and first interest payment date. The Authorized Representative shall deliver the Initial Bonds to the Underwriters against payment therefor. Incident to the delivery of the Bonds, the Authorized Representative shall execute:

(1) a certificate to the effect that for the fiscal year immediately preceding the date of said certificate the amount of the Interest of the System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements (calculated in the manner described in Section 3.04 of this Resolution) of the Bonds and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of the Bonds;

(2) a certificate to the effect that the total principal amount of (a) all Bonds and Additional Parity Bonds and Notes and (b) all other obligations of the Board, including but not limited to the Series 1985 Bonds, the Series 1988 Bonds and the Series 1991 Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the

issuance and delivery of the Bonds 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 Bonds are issued; provided that any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund;

(3) a certificate to the effect that all action on the part of the Board necessary for the valid issuance of the Bonds issued has been taken, that such Bonds have been issued in compliance with the terms of this Resolution; and

(4) a certificate to the effect that the Board is in compliance with the covenants set forth in Articles V and VI of this Resolution as of the date of such certificate.

Section 7.05. REFUNDING OF REFUNDED BONDS; ESCROW AGREEMENT. (a) Subject to the execution of the Bond Purchase Contract, the Board irrevocably calls the Refunded Bonds for redemption prior to maturity on July 1, 1995, at a price of par plus accrued interest to the date fixed for redemption. Upon execution of the Bond Purchase Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause notice of such redemption to be given in accordance with the Series 1985 Resolution.

(b) The discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement and the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to approve, execute and deliver for and on behalf of the Board the Escrow Agreement to reflect the appointment, responsibilities and compensation of the Escrow Agent, such approval to be conclusively, evidenced by the Authorized Representative's execution thereof.

(c) To assure the purchase of the "Escrowed Securities" referred to in the Escrow Agreement, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase obligations of the United States of America, in such amounts and maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing.

(d) To satisfy in a timely manner all of the Board's obligations under this Resolution and the Escrow Agreement, the Authorized Representative and all other appropriate officers and agents of the Board are hereby severally authorized and directed for and on behalf of the Board to take all other actions that are reasonably necessary to provide for the refunding of the Refunded Bonds, including, without limitation, executing and delivering for and on behalf of the Board all certificates, consents, receipts, requests and other documents as may be reasonably necessary to satisfy the Board's obligations under the Escrow Agreement and this Resolution and to direct the transfer and application of funds of the Board consistent with the provisions of such Escrow Agreement and this Resolution.

(e) It is hereby found and determined that the refunding of the Refunded Bonds is advisable and necessary in order to restructure the debt service requirements of the Board and thereby to achieve a present value savings.

Section 7.06. APPLICATION OF BOND PROCEEDS. Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the Authorized Representative as follows:

- (i) accrued interest shall be deposited into the Interest and Sinking Fund;
- (ii) the remaining proceeds from the sale of the Bonds shall, to the extent required, be applied to establish an escrow fund in an amount, together with investment earnings thereon, sufficient to accomplish the discharge and final payment of the Refunded Bonds and, to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds, the establishment of such escrow fund and the refunding of the Refunded Bonds; and
- (iii) any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Interest and Sinking Fund.

Any sale proceeds of the Bonds remaining after making all deposits and payments provided for above shall be deposited into the Interest and Sinking Fund.

Section 7.07. DTC LETTER OF REPRESENTATION. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized and directed to approve, execute and deliver a Letter of Representation with DTC with respect to the Bonds to implement the book-entry only system of Bond registration, such approval to

be conclusively evidenced by the Authorized Representative's execution thereof.

Section 7.08. FURTHER PROCEDURES. The Chairman of the Board, the Executive Secretary of the Board, the Authorized Representative, the Vice Chancellor and General Counsel of the System, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the preliminary official statement and the official statement for the Bonds, the Escrow Agreement, the Paying Agent Agreement, the Bond Purchase Contract, and the DTC Letter of Representation. In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

ADOPTED AND APPROVED this the ____ day of _____, 1992.

Chairman
Board of Regents of
The University of Texas System

Attest:

Executive Secretary
Board of Regents of
The University of Texas System

[SEAL]

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DRAFT 1/16/92

PRELIMINARY OFFICIAL STATEMENT

DATED FEBRUARY __, 1992

NEW ISSUE: Book-Entry Only

RATINGS: See "Ratings."

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

\$ _____ *

**Board of Regents of
The University of Texas System
Permanent University Fund Refunding Bonds
Series 1992A**

Dated: March 1, 1992

Due: July 1, as shown herein

The Bonds will constitute valid and legally binding special obligations of the Board of Regents (the "Board") of The University of Texas System (the "System"), secured by and payable from a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as defined herein) on a parity with the Board's outstanding Permanent University Fund Refunding Bonds, Series 1985, Series 1988 and Series 1991. The Board has reserved the right to issue additional bonds on a parity with the Bonds. **THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE SYSTEM, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS.** See "Security for the Bonds."

Proceeds from the sale of the Bonds, together with other available moneys of the Board, will be used for the purpose of refunding certain outstanding obligations of the Board. See "Plan of Financing."

The Bonds will mature on July 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on the inside of this cover page. The Bonds will bear interest from their date and will be payable January 1 and July 1 of each year, commencing July 1, 1992, until maturity or prior redemption.

The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Ameritrust Texas National Association, the initial Paying Agent/Registrar, to Cede & Co., as nominee for DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payments to the beneficial owners of the Bonds. See "Description of the Bonds - Book-Entry Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds -- Redemption."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Vinson & Elkins L.L.P., Austin and Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the Underwriters by McCall, Parkhurst & Horton, Austin and Dallas, Texas, and for the System by Lannen & Moyé, P.C. Dallas, Texas. The Bonds are expected to be available for delivery on or about March 24, 1992, in New York, New York.

I. P. Morgan Securities Inc.

Dated: _____, 1992

*Preliminary, subject to change.

**MATURITY SCHEDULE
(July 1)**

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield or Price</u>
	\$	%	%		\$	%	%

\$ _____ % Term Bonds due July 1 _____ Price _____ %

[Accrued interest from March 1, 1992 to be added.]

Board of Regents of The University of Texas System
As of _____, 1992

OFFICERS

Louis A. Beecherl, Jr., Chairman,
Mario E. Ramirez, Vice-Chairman
Robert J. Cruikshank, Vice-Chairman
Arthur H. Dilly, Executive Secretary

MEMBERS

Terms Expire February 1, 1993

Sam Barshop	.	.	.	.	San Antonio
Louis A. Beecherl, Jr.	.	.	.	.	Dallas
W.A. "Tex" Moncrief, Jr.	.	.	.	.	Fort Worth

Terms Expire February 1, 1995

Robert J. Cruikshank	.	.	.	.	Houston
Tom Loeffler	.	.	.	.	San Antonio
Mario E. Ramirez	.	.	.	.	Roma

Terms Expire February 1, 1997

Zan Wesley Holmes, Jr.	.	.	.	.	Dallas
Bernard Rapoport	.	.	.	.	Waco
Ellen Clarke Temple	.	.	.	.	Lufkin

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. Thomas G. Ricks	.....	Acting Executive Vice Chancellor for Asset Management
Mr. Henry M. Davis	.....	Executive Director of Investments
Ms. Brenda F. Meglasson	.....	Executive Director, Endowment Management and Administration
Mr. Thomas G. Ricks	.....	Executive Director-Finance and Private Investments
Mr. James Wilson	.....	Executive Director-Endowment Real Estate
Mr. John A. Roan	.....	Manager-Finance
Mr. Mike Milsap	.....	Vice Chancellor for Governmental Relations
Mr. Ray Farabee	.....	Vice Chancellor and General Counsel
Mr. Jack Boyd	.....	Executive and Research Assistant to the Chancellor
Mr. R. Dan Burck	.....	Vice Chancellor for Business Affairs
Mr. Kerry L. Kennedy	.....	Director-Office of Budget and Fiscal Policy
Ms. Mary A. Guyon	.....	Budget Director
Mr. Ralph Kristoferson	.....	Director-Facilities Planning and Construction
Mr. James C. Werchan	.....	Director-Accounting
Mr. Charles G. Chaffin	.....	Director of Audits

Investment Advisory Committee

	<u>Term</u> <u>Expiration</u>		<u>Term</u> <u>Expiration</u>
Mr. J. Luther King, Jr., Fort Worth	1994	Mr. Michael J. Roth, San Antonio	1993
Mr. L. Lowry Mays, San Antonio	1993	Mr. John T. Stuart, III, Dallas	1992
Mr. Edward Randall, III, Houston	1992		

Bond Counsel

Vinson & Elkins L.L.P.
Austin and Houston, Texas

*Component Institutions of
The University of Texas System*



11

General Academic Institutions

The University of Texas at Arlington

School of Architecture
 College of Business Administration
 College of Engineering
 College of Liberal Arts
 School of Nursing
 College of Science
 Graduate School of Social Work
 Graduate School
 Institute of Urban Studies

The University of Texas at Austin

School of Architecture
 College of Liberal Arts
 College of Engineering
 College of Natural Sciences
 College of Business Administration
 LBJ School of Public Affairs
 College of Communications
 College of Education
 College of Fine Arts
 School of Law
 Graduate School of Library and Information Science
 School of Nursing
 College of Pharmacy
 School of Social Work
 Graduate School
 Marine Science Institute (Port Aransas)
 McDonald Observatory at Mount Locke (Fort Davis)

The University of Texas at Brownsville

College of Liberal Arts
 College of Science and Mathematics
 School of Business and Industry
 School of Education
 School of Health Sciences

The University of Texas at Dallas

Callier Center for Communication Disorders
 School of Arts and Humanities
 Eric Jousson School of Engineering and Computer Science
 School of General Studies
 School of Human Development
 School of Management
 School of Natural Sciences and Mathematics
 School of Social Sciences

The University of Texas at El Paso

College of Business Administration
 College of Education

College of Engineering
 College of Liberal Arts
 College of Nursing and Allied Health
 College of Science
 Graduate School

The University of Texas—Pan American

College of Arts and Sciences
 School of Business Administration
 School of Education
 Division of Health Related Professions

The University of Texas of the Permian Basin

Division of Behavioral Science and Physical Education
 Division of Business
 Division of Education
 Division of Humanities and Fine Arts
 Division of Science and Engineering

The University of Texas at San Antonio

College of Business
 College of Fine Arts and Humanities
 College of Social and Behavioral Science
 College of Sciences and Engineering
 Institute of Texan Cultures

The University of Texas at Tyler

School of Business Administration
 School of Education and Psychology
 School of Liberal Arts
 School of Sciences and Mathematics

The University of Texas Medical Branch at Galveston

Medical School
 Graduate School of Biomedical Sciences
 Marine Biomedical Institute
 School of Allied Health Sciences
 Institute for the Medical Humanities
 The University of Texas Hospitals
 School of Nursing

The University of Texas Health Science Center at Houston

Medical School
 Dental School
 Graduate School of Biomedical Sciences
 School of Allied Health Sciences
 School of Public Health
 Speech and Hearing Institute
 School of Nursing

The University of Texas Health Science Center at San Antonio

Medical School
 Dental School
 Graduate School of Biomedical Sciences
 School of Allied Health Sciences
 School of Nursing

The University of Texas M.D. Anderson Cancer Center (Houston)

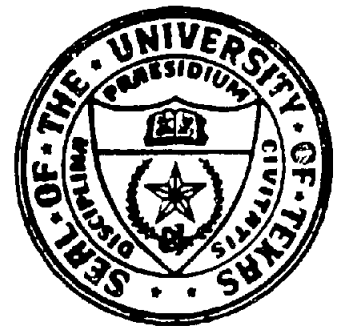
M.D. Anderson Hospital
 M.D. Anderson Tumor Institute
 M.D. Anderson Science Park

The University of Texas Health Center at Tyler

Health Institutions

The University of Texas Southwestern Medical Center at Dallas

Southwestern Medical School
 Southwestern Graduate School of Biomedical Sciences
 School of Allied Health Sciences



USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information by the Board or the Underwriters to give any information, or to make any representations other than those contained in the Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriters.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board, the System, the Permanent University Fund or other matters described herein since the date hereof.

The price and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Underwriter may overallocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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OFFICIAL STATEMENT

relating to

\$ _____ *

Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1992A

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents (the "Board") of the University of Texas System of its bonds, entitled "Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1992A" (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board on February 13, 1992 authorizing the issuance of the Bonds.

The University of Texas System (the "System") was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an agency of the State. The System presently consists of 15 State-supported general academic and health-related education and research institutions, including The University of Texas at Austin. The Board is the governing body of the System and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the System and each of its component institutions see Appendix A, Description of The University of Texas System.

This Official Statement contains summaries and descriptions of the plan of financing, the Resolution, the Bonds, the Board, the System and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Board. In addition, as described herein under the caption "Permanent University Fund -- Financial Information," certain financial information regarding the State, the System and the Permanent University Fund is available from the Board upon request.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds will be issued under the authority of Article VII, Section 18 of the Texas Constitution, Section 65.46, Texas Education Code, and Articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and pursuant to the terms of the Resolution and the action of the authorized representative of the Board signing the bond purchase agreement relating to the Bonds and establishing their final terms.

Purpose

The Bonds are being issued for the purpose of refunding a portion of the Board's Permanent University Fund Refunding Bonds, Series 1985, in the principal amount of \$168,370,000 (the "Refunded Bonds"). The Refunded Bonds will be called on July 1, 1995, their first call date. See Appendix E* for a list of the Refunded Bonds. The issuance of the Bonds will permit the Board to restructure its debt service requirements and realize a present value debt service savings.

*Preliminary, subject to change.

* Appendix E not on file in the Office of the Board of Regents.

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled interest payment and redemption dates of each such bond, from funds to be deposited with Ameritrust Texas National Association (the "Escrow Agent"), pursuant to an Escrow Agreement (the "Escrow Agreement") between the Board and the Escrow Agent.

The Resolution provides that from the proceeds of the sale of the Bonds to the initial purchasers thereof, the Board will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Government Obligation").

Under the Escrow Agreement, to be effective as of the date of delivery of the Bonds, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds.

Ernst & Young will verify at the time of delivery of the Bonds to the initial purchasers thereof that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Government Obligation will not be available to pay the Bonds. Ernst & Young will also verify the actuarial yields relied on by Bond Counsel to support its opinion that the Bonds are not arbitrage bonds under Section 148 of the Internal Revenue Code of 1986 as amended (the "Code"). Such verifications will be based on information and assumptions supplied by the Board, and such verifications, information and assumptions will be relied upon by Bond Counsel in rendering its opinions described herein.

By the deposit of the Government Obligation and cash with the Escrow Agent pursuant to the Escrow Agreement, the Board will have effected the defeasance of the Refunded Bonds pursuant to the terms of the resolution authorizing their issuance. It is the opinion of Bond Counsel that, as a result of such defeasance, the Refunded Bonds will no longer be payable from the "Interest of the System" in the "Available University Fund" (as such terms are defined herein) but will be payable solely from the principal of and interest on the Federal Securities and cash held for such purpose by the Escrow Agent and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the Board for any other purpose.

The Board has covenanted in the Escrow Agreement to make timely deposits in the Escrow Fund, from lawfully available funds, of additional funds in the amounts required to pay the principal of and interest on the Refunded Bonds should, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payments.

Parity Bonds

The Bonds will be issued on a parity with the Board's previously issued and outstanding Permanent University Fund Refunding Bonds, Series 1985, Series 1988 and Series 1991 (the "Outstanding PUF Bonds"), currently outstanding in the aggregate principal amount of \$541,465,000 and will be on a parity with the anticipated Series 1992B Bonds (as defined herein) in the anticipated aggregate principal amount of \$80,000,000. (See "Security for the Bonds -- Future Financings.") The Outstanding PUF Bonds, the Bonds, the Series 1992B Bonds and all additional bonds and notes issued on a parity therewith ("Additional Parity Bonds and Notes") are referred to collectively herein as the "PUF Bonds". The debt service requirements for the Bonds combined with the debt service requirements for the Outstanding PUF Bonds are set forth in Appendix C.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity, will be dated March 1, 1992, and will accrue interest from their dated date. The Bonds will bear interest at the per annum rates shown on the inside of the cover page hereof. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing July 1, 1992. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on July 1 in the years and in the principal amounts set forth in the maturity schedule contained on the inside of the cover page hereof.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., the nominee of The Depository Trust Company ("DTC"), will be the registered owner and references herein to the Bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. See "Description of the Bonds -- Book-Entry Only System."

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Redemption

Optional Redemption. Bonds scheduled to mature on and after July 1, 2003 are subject to redemption prior to maturity at the option of the Board on July 1, 2002 or on any interest payment date thereafter, in whole or in part, in any integral multiple of \$5,000 (and, if in part, the particular Bonds or portions thereof to be redeemed shall be selected by the Board) at the redemption price of par, without premium, plus accrued interest to the redemption date; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

Mandatory Redemption. The Bonds maturing on July 1, ___ are subject to mandatory sinking fund redemption prior to their scheduled maturity/maturities in the following amounts, on the following dates at a price of par, without premium, plus accrued interest to the date fixed for redemption:

<u>Redemption Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
---	-----------------------------------

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by the

Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

Notice of Redemption. Not less than 30 days prior to a redemption date, a notice of redemption will be published once in a financial publication, journal or report of general circulation among securities dealers in the City of New York, New York, or in the State. Additional notice will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository and to any national information service that disseminates redemption notices. Failure to mail or receive such notice will not affect the proceedings for redemption and publication of notice of redemption in the manner set forth above shall be the only notice actually required as a prerequisite for redemption. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to registered owners of Bonds subject to redemption at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to registered securities depositories or national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent his Bonds in for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the interest rates, the maturity dates, the CUSIP numbers, the certificate numbers, the amounts of each certificate called, the publication and mailing dates for the notices, the dates of redemption, the redemption prices, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed including a contact person and telephone number.

Paying Agent/Registrar

The initial Paying Agent/Registrar is named on the cover page hereof. In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar and covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding. The Board further covenants that the Paying Agent and Registrar will be one entity. Any successor Paying Agent/Registrar is required by the Resolution to be a competent and legally qualified bank, trust company, financial institution or other agency. Upon any change in the Paying Agent/Registrar, the Board is required promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Book-Entry Only System

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the

meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds bonds that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of the customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Board and the Paying Agent/Registrar. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, but the Board takes no responsibility for the accuracy thereof.

Termination of Book-Entry Only System. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Board and the Paying Agent/Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificated Bonds are required to be delivered as described in the Resolution.

If the Board determines that (a) DTC is incapable of discharging its responsibilities or (b) the interests of the Beneficial Owners of the Bonds might be adversely affected if the book-entry only system is continued, the Board shall appoint a successor securities depository or deliver certificated Bonds, each as described in the Resolution.

Effect of Termination of Book-Entry Only System. In the event that the Book-Entry Only System is terminated by DTC or the Board, the following provisions will be applicable to the Bonds.

(a) *Payments.* The principal and redemption price of all Bonds is payable to the registered owners thereof at maturity or on the date of earlier redemption and only upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent/Registrar. Interest on the Bonds will be paid by check mailed by the Paying Agent/Registrar to the registered owners thereof as shown in the bond registration books of the Paying Agent/Registrar as of the Record Date, which will be the 15th day of the month next preceding each interest payment date. Alternatively, upon the request and at the risk and expense of a registered owner, interest may be paid by another method acceptable to the Paying Agent/Registrar.

(b) *Transfer, Exchange and Registration.* Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, together with proper written instruments of assignment in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner except for any tax or other governmental charges required to be paid with respect thereto. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar. Any Bond issued in exchange or transfer for another Bond may be in any integral multiple of \$5,000 principal amount for any one maturity and shall have the same aggregate unpaid principal amount, interest rate and maturity date as the Bonds or Bonds surrendered for exchange or transfer. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond.

(c) *Limitation on Transfer.* Neither the Board nor the Paying Agent/Registrar shall be required to assign, transfer, or exchange (i) any Bond or any portion thereof during a period beginning at the close of business on any Record Date, and ending at the opening of business on the next following principal or interest payment date or (ii) any Bond or any portion thereof that has been called for redemption within 45 days prior to the date fixed for redemption.

Amendment of Terms

The owners of PUF Bonds aggregating 51% of the aggregate principal amount of the then outstanding PUF Bonds have the right under the Resolution to approve any amendment to the Resolution or any other resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that the owners of

all of the outstanding PUF Bonds must approve the amendment of the terms and conditions in the Resolution, such other resolutions or in any PUF Bond so as to (a) make any change in the maturity of the outstanding PUF Bonds; (b) reduce the rate of interest borne by any of the outstanding PUF Bonds; (c) reduce the amount of the principal payable on the outstanding PUF Bonds; (d) modify the terms of payment of principal or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment; (e) affect the rights of the owners of less than all of the PUF Bonds then outstanding; or (f) change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

If at any time the Board shall desire to amend the Resolution or any such other resolution, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the PUF Bonds for inspection by all owners of PUF Bonds. Such publication is not required, however, if notice in writing is given to each owner of PUF Bonds.

Defeasance

The Resolution makes the following provisions for the defeasance of the Bonds:

(a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Resolution (a "Defeased Bond") except to the extent provided in (c) below, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Resolution. See "Security for the Bonds."

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by the Resolution.

(d) For purposes of these provisions, Government Obligations means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

SECURITY FOR THE BONDS

Pledge Under the Resolution

PUF Bonds and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, as described below. Pursuant to the Resolution, the Board has reserved the right to issue Additional Parity Bonds and Notes on a parity with the Bonds and the Outstanding PUF Bonds. See "Security for the Bonds -- Additional Parity Bonds and Notes."

The Bonds do not constitute general obligations of the Board, the System, the State or any political subdivision of the State. The Board has no taxing power, and neither the credit nor the taxing power of the State or any political subdivision thereof is pledged as security for the Bonds.

Available University Fund

The Available University Fund is defined by the State Constitution to consist of all the dividend, interest and other income of the Permanent University Fund (less administrative expenses), including net income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such dividend, interest and income are received, the State Comptroller of Public Accounts of the State of Texas credits the receipts to the Available University Fund, and the money is deposited in the State Treasury for the purpose of investment.

Two-thirds of the amounts attributable to the Available University Fund (less administrative expenses of the Permanent University Fund) are constitutionally appropriated to the System to be used for constitutionally prescribed purposes. This two-thirds share is referred to herein and in the Resolution as the "Interest of the System" in the "Available University Fund." Article VII, Section 18(f) of the State Constitution provides that after the payment of annual debt service of obligations payable from the Available University Fund, \$6,000,000 shall be appropriated annually for Prairie View A & M University for a period of ten years commencing November 1, 1984. 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.

Money credited to the Available University Fund is administered by the State Treasurer and, along with other funds of the State, is invested in accordance with State law. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the Interest of the System in the Available University Fund.

Income, Debt Service Requirements and Coverage

Table I below sets forth historical earnings of the Permanent University Fund that were deposited to the Available University Fund, together with the debt service requirements of the Outstanding PUF Bonds and the Subordinate Lien Notes and the coverage thereof. See "Security for the Bonds -- Subordinate Lien Notes and Residual Funds."

Table I
Historical Available University Fund (1)
(000's Omitted)

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Available</u> <u>University</u> <u>Fund (after</u> <u>Administrative</u> <u>Expenses) (2)</u>	<u>Interest of the</u> <u>System in</u> <u>Available</u> <u>University Fund</u>	<u>Other</u> <u>Income(3)</u>	<u>Total Income</u> <u>Available to</u> <u>Pay Debt</u> <u>Service</u>	<u>Total Debt</u> <u>Service Payable</u> <u>from the</u> <u>Available</u> <u>University Fund(4)</u>	<u>Coverage(5)</u>
1983	\$156,486	\$104,324	\$6,323	\$110,647	\$28,693	3.86x
1984	171,437	114,291	7,632	121,923	33,638	3.62x
1985	187,927	125,285	6,635	131,920	40,239	3.28x
1986	209,700	139,800	5,111	144,911	29,702	4.88x
1987	209,182	139,455	4,152	143,607	45,503	3.16x
1988	231,417	154,278	5,939	160,217	43,531	3.68x
1989	248,146	165,431	9,216	174,647	51,867	3.36x
1990	258,219	172,146	8,188	180,334	50,549	3.57x
1991	250,421	166,948	5,211	172,159	53,506	3.21x

- (1) The amounts stated in the years 1983 through 1986 are audited amounts. The 1987 through 1991 amounts are the unaudited amounts reflected on the books of the System.
- (2) The expenses of administering the Permanent University Fund constitute a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. The Resolution contains covenants restricting administrative expenses of the Permanent University Fund to a minimum consistent with prudent business judgment.
- (3) Through the fiscal year ending August 31, 1985, Other Income included the grazing and other income derived from the surface of the Permanent University Fund land (all of which was appropriated to the System), plus nondivisible interest income earned on the System's share of the Available University Fund balance on deposit with the State Treasury. The State Constitution requires that after August 31, 1985, surface income be allocated one-third to The Texas A&M University System and the remaining two-thirds to the System. Accordingly, for the fiscal years ending August 31, 1986 and thereafter, surface income is included in Available University Fund (after Administrative Expenses).
- (4) Includes Debt Service on the Board's Permanent University Fund Variable Rate Notes, Series A but does not include debt service payable from the Residual AUF. See "Security for the Bonds -- Subordinate Lien Notes and Residual Funds."
- (5) Represents Total Income Available to Pay Debt Service divided by Total Debt Service Payable from the Available University Fund.

Constitutional Debt Power, Debt Limitations

The discretion to direct the use of the Interest of the System in the Available University Fund, after administrative 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 administrative expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b) of the State Constitution (the "Constitutional Provision") authorizes the Board to issue bonds and notes, payable from all or any part of the Interest of the System 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 repair and rehabilitation of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under such Constitutional Provision or prior law at or for System administration and the component institutions of the System. The pledge and security interest made and granted in the Resolution is accomplished pursuant to that Constitutional Provision.

The Constitutional Provision limits the aggregate amount of bonds and notes secured by the Interest of the System in 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 January 31, 1992, the unaudited cost value of the Permanent University Fund, exclusive of real estate, was \$3,564,742,397* and outstanding bonds and notes secured by the Interest of the System in the Available University Fund totaled \$551,465,000*. Accordingly, as of January 31, 1992, the Board was authorized to issue an additional \$161,483,479* of bonds or notes secured by the Interest of the System in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

Table II shows the constitutional debt limits of the Permanent University Fund for each year 1982 through 1991 and the amount of outstanding bonds and notes secured by the respective interests in the Available University Fund for each of such years for both the System and The Texas A&M University System.

Table II
Historical Availability and Outstanding Bonds and Notes

Fiscal Year Ending August 31	Book Value of Fund	The System		Texas A&M University System	
		Constitutional Debt Limit	Outstanding	Constitutional Debt Limit	Outstanding
1982	\$1,725,744,320	\$230,099,243	\$182,805,000	\$115,049,621	\$ 89,255,000
1983	1,902,619,274	253,682,570	221,955,000	126,841,284	105,565,000
1984	2,082,521,497	277,669,533	272,735,000	138,834,766	135,870,000
1985	2,316,874,704	463,374,941	309,065,000	231,687,470	162,345,000
1986	2,605,526,501	521,105,300	440,045,000	260,552,650	198,065,000
1987	2,919,540,498	583,908,100	427,420,000	291,954,050	220,690,000
1988	3,082,118,711	616,437,742	442,100,000	308,218,071	224,180,000
1989	3,294,392,325	658,878,465	477,205,000	329,439,232	248,050,000
1990	3,435,080,203	687,016,040	542,155,000	343,508,020	255,685,000
1991	3,526,480,946	705,296,189	551,465,000	352,648,095	308,300,000

Note: Prior to November 1984, the State Constitution limited the issuance of bonds and notes secured by an interest in the Available University Fund to a maximum of 20% of the book value of the Permanent University Fund (6.67% issued by The Texas A&M University System and 13.33% issued by the System). An amendment to the Constitution increased the maximum amount of such bonds and notes to 30% of the book value of the Permanent University Fund (10% issued by The Texas A&M University System and 20% issued by the System).

*As of December 31, 1991; to be revised prior to the distribution of this document to the public.

General Covenants

The resolutions authorizing the Outstanding PUF Bonds and the Resolution require the State Comptroller of Public Accounts to maintain in the State Treasury an Interest and Sinking Fund for the PUF Bonds. Such resolutions collectively require the Board and the officers of the System to cause the State Comptroller of Public Accounts, on or before the date on which principal or interest is due on the PUF Bonds, to transfer from the Interest and Sinking Fund to the Paying Agent/Registrar amounts sufficient to pay such principal and interest.

The Board additionally covenants and agrees:

- (a) that while any PUF Bonds are outstanding and unpaid, the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;
- (b) that the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;
- (c) that the Board will duly and punctually pay or cause to be paid the principal of every PUF Bond, and the interest thereon, from the sources, on the days, at the places and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be redeemed prior to maturity all PUF Bonds, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in the Resolution and in the aforesaid obligations;
- (d) that, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from such Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by the 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 the Board will continuously preserve the Permanent University Fund and each and every part thereof; and
- (e) that proper books of records and accounts will be kept in which true, full and correct entries will be made of all income, expenses and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done, the Board shall furnish to all bondholders and owners who may so request such audits and reports by the State Auditor for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor is required by applicable law to prepare and distribute.

General Tax Covenant

In the Resolution, the Board states its intention that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to Sections 103 and 141 through 150 of the Code and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees in the Resolution to comply with each requirement of the Resolution relating to the treatment of interest on the Bonds for federal income tax purposes; provided, however, that the Board shall not be required to comply with any particular requirement if the Board has received an opinion of nationally recognized bond counsel acceptable to

the Board that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received an opinion of such counsel to the effect that compliance with some other requirement set forth in the Resolution will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel's opinion shall constitute compliance with the corresponding requirement specified in the Resolution.

Additional Parity Bonds and Notes

The Board reserves the right, exercisable at any time and from time to time, to issue and deliver Additional Parity Bonds and Notes, in as many separate installments or series as deemed advisable by the Board, but only for constitutionally permitted (including refunding) purposes. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Bonds and the Outstanding PUF Bonds. It is further covenanted, however, that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management of the System or some other officer of the 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 System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements (as defined below) of the installment or series of Additional Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of such proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) all PUF Bonds and (ii) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes 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 Parity Bonds or Notes is issued.

For purposes of the calculation required by (a) above and for other purposes of the Resolution, "Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

Future Financings

The Constitutional Provision provides that the System and its component institutions may not receive any funds from the general revenue of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repair and rehabilitation of buildings or other permanent improvements, except in case of fire or natural disaster (when the State Legislature may appropriate amounts to replace uninsured losses) or in cases of demonstrated need, as statutorily expressed in an appropriations act adopted by a two-thirds vote of both houses of the State Legislature. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. The Board anticipates issuing its "Board of Regents of The University of Texas System Permanent

University Fund Bonds, Series 1992B" (the "Series 1992B Bonds") by competitive sale in April 1992. It is currently anticipated that the Series 1992B Bonds will be issued in the aggregate principal amount of \$80,000,000. However, the issuance of the Series 1992B Bonds is dependent upon market conditions, and the issuance of such Bonds may be delayed or canceled. Other than the Series 1992B Bonds, the Board does not expect to issue any additional bonds or notes secured by the Interest of the System in the Available University Fund to fund capital projects through the end of the current calendar year. The Board reserves the right to issue Additional Parity Bonds and Notes and other obligations should it elect to do so. See Table II, "Historical Availability and Outstanding Bonds and Notes."

Remedies

Any owner of any of the Outstanding PUF Bonds, the Bonds or Additional Parity Bonds or Notes shall, in the event of default in connection with any covenant contained in the Resolution or default in the payment of any amount due with respect to such obligations, have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys pledged under the Resolution or for enforcing any such covenant. Acceleration of the amounts due with respect to such obligations is not provided as a remedy in the Resolution.

Subordinate Lien Notes and Residual Funds

Subordinate Lien Notes. In addition to the PUF Bonds, pursuant to the Constitutional Provision, the Board has authorized an interim financing program through the issuance of its Permanent University Fund Variable Rate Notes, Series A to be outstanding at any time in the maximum principal amount of \$250,000,000 (the "Subordinate Lien Notes"). The Subordinate Lien Notes are secured by a lien on the Interest of the System in the Available University Fund subordinate to the lien securing the PUF Bonds.

Following the delivery of the Bonds, the Board will have \$16,000,000 in principal amount of Subordinate Lien Notes outstanding. The Board anticipates retiring the outstanding Subordinate Lien Notes with proceeds of the proposed Series 1992B Bonds, which would result in the ability of the Board to issue up to \$250,000,000 in principal amount of Subordinate Lien Notes, subject to the constitutional debt limit. See "Security for the Bonds -- Future Financings" and "Security for the Bonds -- Constitutional Debt Power, Debt Limitations."

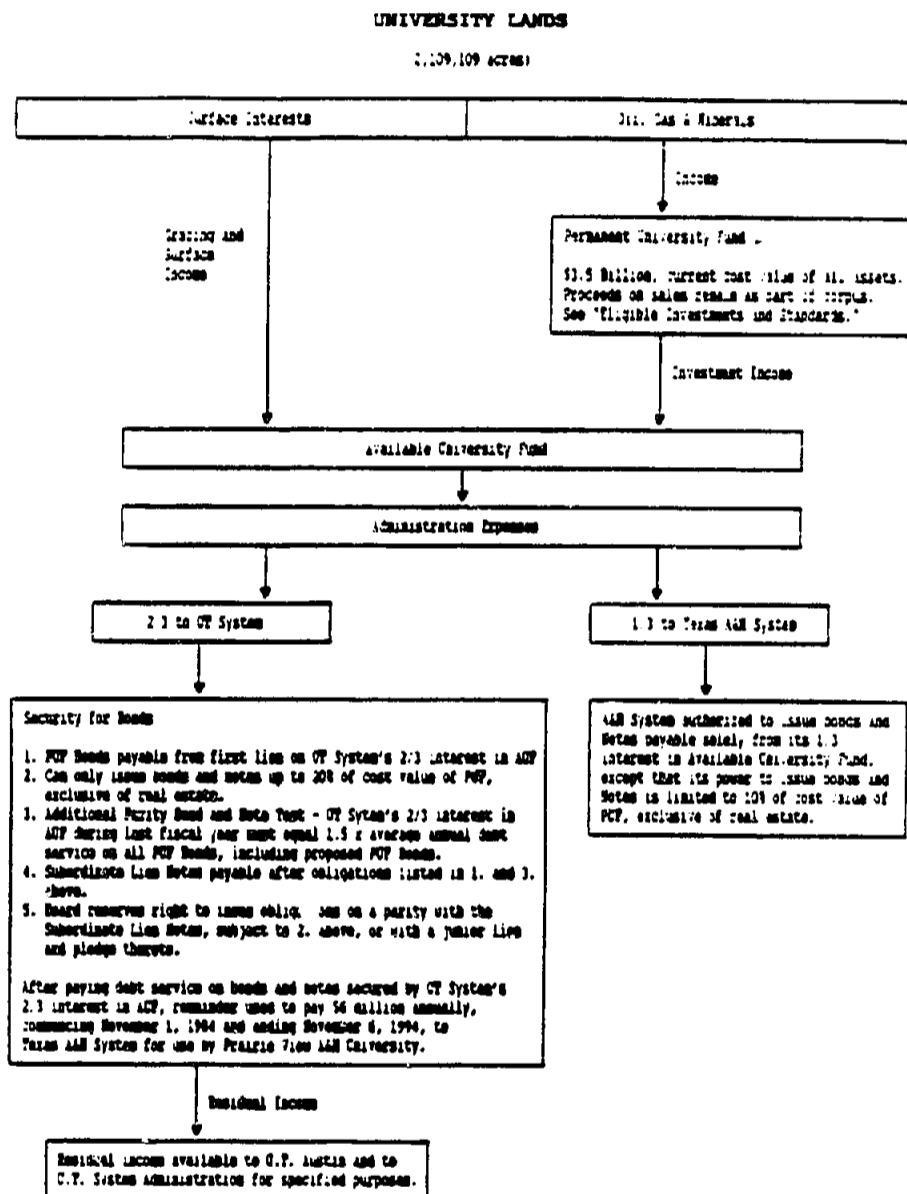
Residual AUF. After the payment of annual debt service on the PUF Bonds and after payment of any other obligations secured by a lien on the Interest of the System in the Available University Fund, the Constitutional Provision appropriates the remaining amount attributable to the Interest of the System in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to The Texas A&M University System for use by Prairie View A&M University, and (b) the balance (the "Residual AUF") to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

In addition to the Bonds, the Outstanding PUF Bonds, and the Subordinate Lien Notes, the Board has previously issued The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986 (the "Building Revenue Bonds"), presently outstanding in the aggregate principal amount of \$29,835,000. The Building Revenue Bonds are secured by and payable from, among other revenues, the "Pledged Available Fund Surplus," which is that portion of the Residual AUF that is biennially appropriated by the State Legislature in a manner that will permit use thereof by the Board to pay debt service on the Building Revenue Bonds. The Building Revenue Bonds and any other obligations of the Board payable from and secured by the Pledged Available Fund Surplus are not subject to the 20% limitation described above under "Security for the Bonds -- Constitutional Debt Power, Debt Limitations."

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 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 Available 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.



The Permanent University Fund is a public endowment contributing to the support of institutions of the System (other than The University of Texas-Pan American and The University of Texas at Brownsville) and the eligible institutions of The Texas A&M University System. The Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the Permanent University Fund were completed in 1883 with the contribution of another one million acres. Today, the Permanent University Fund contains 2,109,109 acres located in 19 West Texas counties.

As interpreted by the State Supreme Court and by the State Attorney General, 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 the Permanent University Fund.

Investment Responsibility

The fiduciary responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs an investment and administrative staff as well as unaffiliated investment managers for the purpose of 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 the approval of oil, gas and other mineral leases.

The Board additionally appoints an Investment Advisory Committee of up to six 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 Investment Advisory Committee meets on a quarterly basis. Pursuant to Board Rules and Regulations, Investment Advisory Committee members are appointed for a three year term and may be reappointed for one additional term. The current members of the Investment Advisory Committee are shown on page (i) of this Official Statement.

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 60 employees, consisting of securities analysts, accountants, and other personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines. In mid October, 1991, Mr. Michael E. Patrick resigned his position as Executive Vice Chancellor for Asset Management effective December 31, 1991, to accept an executive position in private industry. Mr. Thomas G. Ricks, Executive Director of Finance and Private Investments, has been appointed Acting Executive Vice Chancellor for Asset Management while a search is being conducted by the Chancellor on a national basis for a permanent replacement.

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. The Board has employed SEI Corporation, Wayne, Pennsylvania. The firm annually renders a report to the Board, copies of which may be obtained from the Office of Asset Management.

Investment Management Firms

The Board may hire unaffiliated investment managers from time to time in order to provide the Permanent University Fund with increased diversity through their unique style and approach to investing as well as to improve the Permanent University Fund's return and volatility. The Board carefully screens and evaluates external managers on the basis of investment philosophy and historical performance. Investment managers are monitored periodically by the Board for performance and adherence to investment discipline. The Board reviews the composition of managers from time to time and may add or terminate managers in order to optimize portfolio returns. As of January 1, 1992, external managers managed approximately 14% of the assets of the Permanent University Fund.

Eligible Investments and Standards

Pursuant to an amendment to Article VII of the State Constitution which was approved by the voters of the State on November 8, 1988, the Board is authorized, subject to procedures and restrictions it establishes, to invest the Permanent University Fund in any kind of investments and in amounts it considers appropriate; provided that it adheres to the prudent person investment standard, which requires that, in making each and all investments, the Board shall exercise the judgment and care under the circumstances then prevailing which persons 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.

In addition to the constitutional standard for investment discussed above, the Board's investment policies currently provide, among other investment restrictions, that (a) corporate bonds and preferred stocks must be rated "Baa3" by Moody's Investors Service or "BBB-" by Standard & Poor's Corporation 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, (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation, (c) less than five percent of the voting securities of a corporation may be owned, unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management, (d) no securities may be purchased on margin or leverage, (e) no transactions in short sales will be made and (f) transactions in financial futures and options may only occur as part of a hedging program as authorized.

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. 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 State Constitution and the Resolution.

Investment Objectives

The Board has three primary objectives in managing the Permanent University Fund: (1) the generation of more than sufficient income to service interest and principal payments of bonds and notes secured by the Interest of the System in the Available University Fund as well as to provide a dependable and growing stream of income for the support and maintenance of The University of Texas at Austin and System administration, (2) to cause the total value of the Permanent University Fund to appreciate over time and thereby to insure preservation of the Permanent University Fund's purchasing power and (3) diversification at all times to provide reasonable assurance that investment in a single security, class of securities, or industry will not have an excessive impact on the Permanent University Fund.

Table III shows the annual growth in the Permanent University Fund through fiscal year 1991. Proceeds from the sale of assets contained in such Fund, including capital gains, are constitutionally required to remain as part of the corpus of such Fund.

Table III
Annual Permanent University Fund Growth
(000's omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil & Gas & Sulphur Royalties</u>	<u>Mineral Lease Sources</u>	<u>Other Sources (1)</u>	<u>Total Additions</u>
Through September 1, 1979	\$ 782,091	\$ 305,886	\$ 45,842	\$1,133,819
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
1986	109,510	6,172	172,970	288,652
1987	73,148	6,985	233,881	314,014
1988	75,431	3,568	83,578	162,577
1989	67,236	2,555	142,483	212,274
1990	71,539	4,913	64,236	140,688
1991	<u>85,049</u>	<u>2,383</u>	<u>3,969</u>	<u>91,401</u>
Totals	<u>\$2,157,241</u>	<u>\$459,458</u>	<u>\$909,782</u>	<u>\$3,526,481(2)</u>

- (1) Includes net realized gains (losses) on sale of Permanent University Fund securities.
 (2) Excludes nominal value of land of \$10,027,384.

Table IV shows a summary comparison of the assets, excluding land, of the Permanent University Fund for fiscal years 1990 and 1991. Though market values are shown, assets are valued at their book value in the financial records of the System. The 2,109,109 acres of land owned by the Permanent University Fund is carried on the books at the nominal book value of \$10,027,384.

TABLE IV
PERMANENT UNIVERSITY FUND
Comparison Summary of Assets

SECURITY	August 31, 1990				August 31, 1991			
	BOOK VALUE	BOOK YIELD	MARKET VALUE	MARKET YIELD	BOOK VALUE	BOOK YIELD	MARKET VALUE	MARKET YIELD
LONG TERM SECURITIES:								
DEBT SECURITIES--								
U.S. GOVERNMENT OBLIGATIONS:								
Direct--Treasuries	\$ 424,774,488.15	9.95%	\$ 445,330,644.04	8.61%	\$ 515,552,379.27	9.18%	\$ 553,990,905.30	7.11%
Guaranteed								
Mortgage-Backed & Mortgages	95,418,489.79	9.83	96,428,373.82	9.83	88,908,510.76	9.82	94,351,324.40	9.27
Other	43,965,148.82	8.82	42,150,123.86	9.49	38,716,618.56	8.57	39,203,026.74	8.40
Total U.S. Governments	564,158,126.76	9.84	583,909,141.72	8.93	643,177,508.59	9.23	687,545,256.44	7.48
U.S. GOVERNMENT AGENCIES (Non-Gtd.):								
Mortgage-Backed	298,109,221.34	9.72	296,566,034.20	9.80	311,649,474.92	9.64	325,659,492.25	9.04
Other	15,022,547.38	9.65	15,262,989.90	8.76	19,959,016.25	9.38	20,894,373.75	7.30
Total U.S. Government Agencies (Non-Gtd.)	313,131,768.72	9.72	311,829,024.10	9.75	331,608,491.17	9.62	346,553,866.00	8.94
FOREIGN GOVERNMENT OBLIGATIONS	2,000,000.00	8.60	1,839,880.00	9.51	19,433,108.75	9.03	19,961,870.00	8.69
CORPORATE BONDS:								
Utilities	232,764,180.31	9.30	223,109,199.05	10.13	289,716,095.01	9.09	294,341,888.05	8.95
Industrials	178,545,019.62	10.50	175,422,907.05	10.84	215,471,421.21	10.16	221,204,494.84	9.62
Mortgage-Backed (CMOs)	178,638,632.41	9.29	176,367,202.28	9.46	197,208,516.39	9.28	207,759,465.92	8.71
Financial	90,387,662.88	10.46	89,527,079.72	10.51	88,295,216.77	9.75	90,628,953.65	9.39
Transportation	53,572,541.30	12.36	57,718,012.20	9.71	46,964,719.78	11.97	51,692,360.05	8.47
Total Corporates	733,908,036.52	9.96	722,144,400.30	10.15	837,655,969.16	9.64	865,429,162.51	9.08
TOTAL DEBT SECURITIES	1,613,197,932.00	9.88	1,619,722,446.12	9.64	1,831,875,077.67	9.49	1,919,490,154.95	8.47
PREFERRED STOCKS	15,054,658.37	6.34	16,542,353.93	5.77	8,875,757.18	9.35	11,261,164.29	7.37
EQUITY SECURITIES--								
Convertible Debentures	508,859.66	9.53	386,500.00	12.55	619,359.66	7.83	625,250.00	7.58
Convertible Preferred Stocks	7,158,914.07	10.08	5,597,039.06	12.89	13,144,552.12	6.36	13,588,385.38	6.16
Common Stocks & Other Equities	1,172,690,317.64	4.18	1,270,671,693.71	3.86	911,868,922.24	3.50	1,212,674,135.85	2.63
TOTAL EQUITY SECURITIES	1,180,358,091.37	4.22	1,276,655,232.77	3.90	925,632,834.02	3.54	1,226,887,771.23	2.67
TOTAL LONG TERM	2,808,610,681.74	7.47	2,912,920,032.82	7.09	2,766,383,668.87	7.49	3,157,639,090.47	6.22
CASH AND EQUIVALENT:								
U.S. Governments								
(Direct & Gtd.)	139,714,814.24	10.00	141,225,069.08	8.14	164,683,708.48	8.87	167,980,686.42	6.43
U.S. Government Agencies (Non-Gtd.)								
Corporate Bonds	21,295,681.95	11.27	21,710,741.44	9.29	20,276,971.54	11.62	20,823,795.26	7.89
Commercial Paper	425,000,000.00	8.08	425,000,000.00	8.08	470,000,000.00	5.90	470,000,000.00	5.90
Cash (Interest Bearing)	30,862,205.77	8.29	30,862,205.77	8.29	95,136,597.14	6.78	95,136,597.14	6.78
TOTAL SHORT TERM	626,469,521.40	8.63	628,394,825.73	8.15	760,097,277.16	6.81	763,987,978.82	6.16
TOTAL SECURITIES, CASH & EQUIVALENT	\$1,445,080,203.14	7.69%	\$1,541,314,858.55	7.28%	\$3,526,480,946.03	7.35%	\$1,921,627,069.29	6.00%

Table V shows a summary of the income from investments in the Permanent University Fund for the fiscal year ended August 31, 1991 which are deposited in the Available University Fund.

TABLE V
PERMANENT UNIVERSITY FUND
Summary of Income from Investments
(September 1, 1990 through August 31, 1991)

	CASE	ACCRUED	TOTAL
FROM FIXED INCOME SECURITIES--			
U.S. Treasuries	\$ 53,780,594.15	\$1,913,334.27	\$ 55,693,928.42
U.S. Government Obligations	13,329,967.12	(256,971.80)	13,072,995.32
U.S. Government Agencies	30,230,272.62	134,121.72	30,364,394.34
PHA Mortgages	162,666.42	0.00	162,666.42
Foreign Government Obligations	274,590.70	401,653.48	676,244.18
Corporate Bonds	74,243,183.83	1,782,263.21	76,025,447.04
Preferred Stocks	882,769.26		882,769.26
Total from Fixed Income Securities	<u>172,904,044.10</u>	<u>3,974,400.88</u>	<u>176,878,444.98</u>
FROM EQUITY SECURITIES--			
Convertible Debentures	48,500.00	0.00	48,500.00
Convertible Preferred Stocks	890,644.29	0.00	890,644.29
Common Stocks & Other Equities	41,938,423.17	0.00	41,938,423.17
Total from Equity Securities	<u>42,877,567.46</u>	<u>0.00</u>	<u>42,877,567.46</u>
FROM SHORT TERM INVESTMENTS--			
U.S. Treasury Bills	755,640.28	(313,748.61)	441,891.67
U.S. Government Obligations	2,852,783.47	(795,603.24)	2,057,180.23
U.S. Government Agencies			
Short Term Notes	1,151,719.64	(65,380.17)	1,086,339.47
Commercial Paper	29,592,707.67	62,638.84	29,655,346.51
Interest on Funds in State Treasury	6,334,482.99	0.00	6,334,482.99
Interest on Bank Clearing Balances	324.60	0.00	324.60
Securities Lending	1,190,095.08	0.00	1,190,095.08
Total from Short Term Investments	<u>41,877,753.73</u>	<u>(1,112,093.18)</u>	<u>40,765,660.55</u>
TOTAL INCOME FROM INVESTMENTS			
TO AVAILABLE UNIVERSITY FUND	<u>\$257,659,365.29</u>	<u>\$2,862,307.70</u>	<u>\$260,521,672.99</u>

Table VI shows the historical yield on investments held in the Permanent University Fund.

TABLE VI
PERMANENT UNIVERSITY FUND
Historical Yield on Investments Held
(1971-1991)

YEAR	TOTAL INVESTMENTS (1)	U.S. GOVERNMENT OBLIGATIONS (2)	CORPORATE		
			BONDS (3)	PREFERRED STOCKS	COMMON STOCK (4)
1970-71	4.65	4.68	4.91	-	4.34
1971-72	4.73	5.05	4.93	-	4.38
1972-73	4.99	5.76	4.97	-	4.62
1973-74	5.32	6.21	5.12	-	4.98
1974-75	5.75	7.07	5.54	-	4.93
1975-76	6.02	7.32	6.13	-	4.87
1976-77	6.24	7.40	6.23	-	5.36
1977-78	6.51	7.60	6.29	-	5.78
1978-79	7.00	8.14	6.50	-	6.37
1979-80	7.44	8.57	7.26	10.80	6.58
1980-81	8.54	9.83	8.66	10.80	6.97
1981-82	9.23	10.75	9.80	13.56	6.88
1982-83	9.15	10.70	10.07	13.50	6.46
1983-84	8.80	10.75	10.26	13.56	5.61
1984-85	9.01	10.88	10.41	13.56	5.58
1985-86	8.65	10.44	10.98	14.40	4.97
1986-87	8.17	10.40	10.53	13.32	4.53
1987-88	7.87	10.11	10.32	13.24	4.39
1988-89	7.72	9.94	10.10	11.73	4.38
1989-90	7.46	9.80	9.52	6.34	4.22
1990-91	7.49	9.36	9.62	9.35	3.54

- (1) For 1972-73 and subsequent years average yield excludes Short Term Securities due within one year.
(2) Average yield includes yield on Treasury Bonds, Agency Obligations (Guaranteed and Non-Guaranteed) and PHA Mortgages.
(3) Average yield includes yield on Foreign Government Bonds.
(4) Average yield includes yield on Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.

Financial Information

Beginning with the fiscal year ended August 31, 1987, the State began issuing audited financial statements, prepared in accordance with generally accepted accounting principles, for the State government as a whole. The statements are prepared by the State Comptroller of Public Accounts and are audited by the State Auditor's office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units, including those of the System and the Permanent University Fund.

The scope of the State Auditor's audit includes tests for compliance with the covenants of bond issues of the State or its component agencies and institutions. In addition, supplementary schedules are included in the State financial statements, providing for each bond issue information related to pledged revenues and expenditures, coverage of debt service requirements, restricted account balances and/or other relevant information which may feasibly be incorporated. The State Auditor expresses an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit. A copy of the latest audited financial statements of the State and the unaudited financial statements of the System and the report entitled "Permanent University Fund Investments for the Fiscal Year ended August 31, 1991" may be obtained upon request from the Office of Asset Management at 210 W. 6th Street, Austin, TX 78701. The Board has covenanted in the Resolution to provide after the close of each fiscal year, to each bondholder who may so request, such audits and reports by the State Auditor for the preceding fiscal concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor is required by law to prepare and distribute and the unaudited financial statements of the System and the annual report on investments in the Permanent University Fund.

ABSENCE OF LITIGATION

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to either such party, would have a material adverse effect on its financial condition, the Permanent University Fund or the Interest of the System in the Available University Fund, and no litigation of any nature has been filed, or to their knowledge threatened, which seeks to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Vinson & Elkins L.L.P., Bond Counsel, whose approving opinion will be in the form attached hereto as Appendix F. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in the capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds and the Resolution contained under the captions "Introduction," "Plan of Financing," "Description of the Bonds (other than the information under the caption "Book-Entry Only System")," "Security for the Bonds," "Permanent University Fund -- Introduction," "Legal Matters," "Tax Exemption," "Tax Accounting Treatment of Original Issue Discount Bonds," and "Legal Investments in Texas" (except for financial and statistical information contained under any such caption) in this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton and for the System by Lannen & Moyé, P.C.

The Board will furnish to the initial purchasers a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the State Attorney General, to the effect that

the Bonds are valid and legally binding obligations of the Board, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the Board, and to the effect that the interest on the Bonds is excludable from the gross income of the holders thereof for federal income tax purposes under existing law. See "Tax Exemption." The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds, will also be furnished.

LITIGATION RELATING TO THE TEXAS HIGHER EDUCATION SYSTEM

On January 20, 1992, a final judgment was entered by the 107th District Court of Cameron County, Texas (the "District Court"), in Cause No. 12-87-5242-A, styled League of United Latin American Citizens ("LULAC"), et al. v. Ann Richards, et al., which held that the "Texas Higher Education System (the laws, policies, practices, organizations, entities and programs that have created, developed or maintained Texas public universities and professional schools) [(the "Higher Education System") is impermissibly unlawful, violative of, and prohibited by the Constitution and laws of the State of Texas." The judgment states that the Higher Education System is unconstitutional because the named defendants in the case (which include the Governor of the State of Texas (the "State"), other State officials and the members of the boards of regents of most of the State universities and university systems, including members of the Board) have refused to grant benefits to, have imposed unreasonable burdens upon, and denied equal educational opportunity to the class that the plaintiffs represent (which includes all persons of Mexican (Hispanic) ancestry who reside in an area of 41 contiguous counties along the border of Texas with Mexico and who are now or will be students, or would have been students but for the unlawful practices and policies of the defendants, at Texas public senior colleges and universities or health related institutions were if not for the resource allocation policies and practices complained at in the plaintiff's petition) because of their national origin. The judgment further states that the Higher Education System has resulted in the expending of fewer State resources on higher education in geographic areas of significant Mexican American populations than in other areas of the State in violation of the State Constitution.

The judgment includes an injunction prohibiting the defendants from giving any force and effect to provisions of the Texas Constitution and laws relating to the financing of public universities and professional schools from all sources, including the ~~General~~ ^{General} Revenue Fund and the Permanent University Fund proceeds. The injunction, however, is stayed until May 1, 1993 in order to allow the defendants to pursue their appeal and to allow sufficient time for the Legislature of Texas to enact a constitutionally sufficient plan for funding public universities and medical colleges should the District Court's judgment be upheld on appeal. The judgment also provides that it shall have prospective application only, and shall not affect the validity or enforceability of obligations issued or incurred by a public university or professional school in Texas, such as the Bonds being offered by this document, and the revenues or source of payment of such obligations which are issued or incurred prior to May 1, 1993.

No comprehensive assessment has been made of the potential impact of the judgment on the System. The Attorney General of Texas and the defendants have stated that they will appeal the judgment.

The opinion of Bond Counsel will state that Bond Counsel has considered such litigation in expressing its opinion that the Bonds are valid and legally binding obligations of the System.

TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Code, and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The Board has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Board with respect to matters solely within the knowledge of the Board, which Bond Counsel has not independently verified. If the Board should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. The "Superfund Revenue Act of 1986" also imposes an additional .12% "environmental tax" on the alternative minimum taxable income of a corporation in excess of \$2,000,000. Generally, for taxable years beginning after 1989, a corporation's alternative minimum taxable income will include 75% of the amount by which a corporation's "adjusted current earnings" exceeds its "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

On June 26, 1991, the Tax Simplification Bill of 1991, S. 1394/H.R. 2777, was introduced in the United States House of Representatives by Ways and Means Committee Chairman Rostenkowski and in the United States Senate by Finance Committee Chairman Bentsen (together with the ranking minority members of such Committees). If the 1991 Bill is enacted as currently drafted, for partnership taxable years ending on or after December 31, 1992, certain "large partnerships" may be required to include in the computation of taxable income at the partnership level tax-exempt interest, such as interest on the Bonds. Prospective purchasers of the Bonds who may be or become "large partnerships" should consult their tax advisors regarding the 1991 Bill.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The initial offering price for certain of the Bonds may be less than the principal amount thereof (the "Original Issue Discount Bonds"). In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Board nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriter, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based upon records or facts the Underwriter had no reason to believe were not correct.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to the basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 717k, Texas Revised Civil Statutes Annotated, as amended, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the interest and sinking funds and other public funds of counties, municipal corporations, taxing districts and other political subdivisions or agencies or instrumentalities of the State. The Bonds 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. The Texas Public Funds Investment Act, Article 842a-2, Texas Revised Civil Statutes Annotated, as amended, provides that a city, county or school district may invest in the Bonds, provided the Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Issuance of the Bonds will be subject to delivery by Ernst & Young, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to (i) the adequacy of the maturing principal amounts of the Federal Securities held in the Escrow Fund, together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal of and interest on the Refunded Bonds and (ii) the actuarial yields relied on by Bond Counsel to support its opinion that the Bonds are not arbitrage bonds under Section 148 of the Code. Such verification of accuracy of such mathematical computations will be based upon information and assumptions supplied by the Board and such verification, information and assumptions will be relied on by Bond Counsel in rendering its opinions described herein.

RATINGS

Moody's Investors Service has assigned a rating of Aa1 to the Bonds. Fitch Investors Service, and Standard & Poor's Corporation have each assigned ratings of AA+ to the Bonds. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at an underwriting discount of \$_____ from the initial public offering prices therefor set forth on the back of the cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

J. P. Morgan Securities Inc. and Morgan Guaranty Trust Company of New York (the "Bank") are both wholly owned subsidiaries of J. P. Morgan & Co. The Bank is currently providing the Board with a liquidity facility having an available commitment amount of approximately \$150,000,000, for the Board's outstanding PUF Subordinate Lien Notes, and a

liquidity facility having an available commitment amount of approximately \$62,300,000, for the Board's Revenue Financing System Commercial Paper Program.

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. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the constitutional provisions, statutes and documents contained in this Official Statement are made subject to all of the provisions of such constitutional provisions, statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such provisions and documents for further information. Reference is made to original documents in all respects.

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addendum, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

*Acting Executive Vice Chancellor for Asset
Management, The University of Texas System*

APPENDIX A
DESCRIPTION OF
THE UNIVERSITY OF TEXAS SYSTEM

APPENDIX A

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. Effective September 1, 1989, Pan American University and Pan American University at Brownsville became part of The University of Texas System as authorized by the Texas Legislature in 1989. Effective September 1, 1991, the State Legislature designated Pan American University at Brownsville as a separate institution to be renamed the University of Texas at Brownsville and such institution would represent a separate institution in the University System.

The Board consists of nine regents who serve without pay. Members are appointed by the Governor and confirmed by the State Senate to staggered six-year terms. Administration of the System 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, the Interest of the University in the Available University Fund and miscellaneous sources. The percentage division of these fund sources used for the fiscal year ended August 31, 1991 is as follows:

Sources of Revenues	
Tuition and Fees	7.45%
State Appropriations	44.44
Gifts, Grants and Contracts	3.76
Available University Fund Income	3.34
Sales and Services	27.14
Professional Fees	10.15
Other Interest Income	2.18
Other Sources	<u>1.54</u>
	<u>100%</u>

Institutional Enrollment

The 1991 fall student enrollments at the teaching institutions of the System are as shown below:

U.T. Arlington	25,135
U.T. Austin	49,961
U.T. Brownsville	1,457
U.T. Dallas	8,977
U.T. El Paso	16,380
U.T. Pan American	12,482
U.T. Permian Basin	2,108
U.T. San Antonio	15,759
U.T. Tyler	3,788
U.T. Southwestern Medical Center at Dallas	1,595
U.T. Medical Branch at Galveston	2,586
U.T. Health Science Center at Houston	3,125
U.T. Health Science Center at San Antonio	<u>2,546</u>
Total	<u>146,349</u>

Discussion of General Academic Institutions

The University of Texas at Arlington, which has the sixth largest enrollment of all institutions of higher education in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 119 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, and Business Administration; Graduate School of Social Work; Institute of Urban Studies; School of Architecture; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin, established in 1881, is the oldest and largest component of the University System. A major public research university, its programs are nationally ranked in quality and its research facilities are among the most extensive in the nation. The University of Texas at Austin library resources rank sixth among academic libraries in the United States. Serving approximately 50,000 students, the institution offers 271 degree programs in all major academic areas other than agriculture. An outstanding faculty lists among its ranks winners of the Nobel Prize and Pulitzer Prize, as well as more than 1,000 endowed positions.

The University of Texas at Brownsville became a member of the University System as an upper-level center of The University of Texas - Pan American on September 1, 1989. As of September 1, 1991, the Legislature designated it as a separate institution of the System, adopted a name change, and endorsed a partnership with Texas Southmost College whereby students will be able to pursue at The University of Texas at Brownsville either four-year courses of study for baccalaureate programs or associate certificate, and graduate programs. Programs for a combined enrollment of more than 7,000 students will be conducted entirely in facilities leased from the Texas Southmost College District. The institution will offer programs through the colleges of Liberal Arts and Science and Mathematics and the schools of Business and Industry, Education, and Health Sciences. A cooperative doctoral program in Educational Administration is offered with the University of Houston.

The University of Texas at Dallas was established in 1969 as an upper-level (above the sophomore level) academic institution. In 1989, the State Legislature authorized the admission of freshmen and sophomore students beginning the first Summer session of 1990. The institution offers curricula leading to more than 80 degrees at the baccalaureate, master and doctoral levels. The University of Texas at Dallas has a strong faculty that consistently ranks among the State's top academic institutions in the amount of research dollars generated per full-time equivalent faculty. The Callier Center for Communication Disorders located near downtown Dallas is a nationally recognized center for research and rehabilitation in speech and hearing disorders.

The University of Texas at El Paso was established by the State Legislature in 1914 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the University System in 1919, redesignated as Texas Western College in 1949 and, since 1967, has been named The University of Texas at El Paso. Both baccalaureate and masters degrees are offered through six colleges: Business Administration; Education; Engineering; Liberal Arts; Nursing and Allied Health; and Science. Doctorates are offered in Geological Sciences and Electrical Engineering. Its location near the Texas-Mexico border results in the attendance of many students from Mexico.

The University of Texas-Pan American joined the University System as of September 1, 1989. Founded in 1927 as a community college, it became Pan American University in 1971. The institution offers baccalaureate degrees in some 50 fields including Business, Arts and Sciences, and Education, as well as masters degrees in 20 fields. A baccalaureate program in Engineering is now under development along with additional masters programs and doctoral programs. The institution draws most of its students from the immediate region and has the largest enrollment of Hispanic students in the nation.

The University of Texas of the Permian Basin in Odessa was created in 1969 and effective September 1, 1991, the institution became a four year University by action of the State Legislature, and offers programs in the Arts and Sciences, Business Administration and Education. It also offers a Master of Arts in Psychology. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas.

Students also benefit from work-study programs in media, education, research laboratories and field work for major oil companies.

The University of Texas at San Antonio was authorized by the State Legislature in 1969. The institution is committed to a multidisciplinary philosophy to encourage interchange among the disciplines as demonstrated by its organization into 15 divisions, rather than departments, in the Colleges of Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. The University of Texas Institute of Texas Cultures at San Antonio, founded as a world's fair exhibit for HemisFair 1968, has grown into a statewide resource and information center and 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 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.

The University of Texas at Tyler became a part of the University System in 1979 by action of the State Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-level (above the sophomore level) and graduate institution is located in the heart of East Texas, midway between Dallas and Shreveport, Louisiana. The four schools within the institution's organization are: Business Administration; Education and Psychology; Liberal Arts and Sciences; and Mathematics. It is the only public degree-granting university in the fourteen-county East Texas Planning Region, an area with a population of over 700,000.

Discussion of Health Institutions

The University of Texas Southwestern Medical Center at Dallas has approximately 2,500 students, residents and postdoctoral fellows. It is by many measures among the top ten medical schools in the United States. Its students consistently rank among the top five percent of all medical school graduates on competitive examinations. Three Nobel Prize Laureates are currently active on its faculty. The University of Texas Southwestern Medical Center at Dallas is active in biomedical research from life-saving organ transplantation, nutritional biochemistry and magnetic resonance imaging to the basic discoveries of molecular and genetic principles underlying health and disease.

The University of Texas Medical Branch at Galveston was founded in 1891 as the Medical Department of The University of Texas and, as such, is the second oldest component of the University System. Educational programs are offered through the Medical School, Graduate School of Biomedical Sciences, School of Nursing, School of Allied Health Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. Some 2,000 students are engaged in degree programs and graduate medical training. The hospital complex draws patients from throughout the State and from national and international referrals. In fiscal year 1990, the hospital complex had 714 hospital beds in operation and averaged 1,224 outpatient visits per day.

The University of Texas Health Science Center at Houston was established in 1972 within the Texas Medical Center to coordinate and administer activities of several University System health education units in Houston. Today, slightly over 3,000 students attend the six schools: the Dental Branch; the Graduate School of Biomedical Sciences; the School of Public Health; the Medical School; the School of Nursing; and the School of Allied Health Sciences. Each year more than 2,000 health professionals participate in continuing education programs coordinated by the its Division of Continuing Education. The Speech and Hearing Institute helps individuals with communication disorders.

The University of Texas Health Science Center at San Antonio includes the Medical School, Dental School, Graduate School of Biomedical Sciences, School of Nursing, and the School of Allied Health Sciences. Authorized by the State Legislature in 1959, the Medical School opened in 1968. Annual enrollment in academic programs of The University of Texas Health Science Center at San Antonio is approximately 2,500. The center also provides continuing education for about 12,000 health professionals annually.

University of Texas M.D. Anderson Cancer Center is internationally renowned as one of the world's premier centers for cancer patient care, research, education and prevention. The University of Texas M.D. Anderson Cancer Center is composed of The University of Texas M.D. Anderson Hospital and The University of Texas M.D. Anderson Tumor Institute, both located in Houston, and The University of Texas M.D. Anderson Science Park in Bastrop County, Texas. Since The University of Texas M.D. Anderson Cancer Center first opened in 1944, more than 230,000 cancer patients have received the highest caliber care from the institution's team of health professionals. In fiscal year 1990, the cancer center had 490 hospital beds in operation and averaged 1,847 outpatient visits per day.

The University of Texas Health Center at Tyler is a teaching hospital and a referral and research center for the diagnosis and treatment of cardiopulmonary diseases. The institution became associated with the University System in 1977 after operating as a state hospital since 1947. Physicians throughout the State send patients with heart and lung diseases to The University of Texas Health Center at Tyler for further diagnosis and treatment. Services are provided by the Divisions of Family Medicine, Pathology, Pediatric Allergy and Pulmonary, Radiology and Surgery, and a Department of Medicine which includes cardiology, infectious diseases, occupations medicine, oncology and adult pulmonary. In fiscal year 1990, the Tyler health center had 198 hospital beds in operation and averaged 184 outpatient visits per day.

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APPENDIX B
FINANCIAL INFORMATION REGARDING THE PERMANENT UNIVERSITY FUND

APPENDIX B
PERMANENT UNIVERSITY FUND RECEIPTS
(From the Beginning through August 31, 1991)

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities	
							Bonds	Equities
Prior to 1924	\$ 870,984.70	\$ 16,611.75	\$ ----	\$ 203,343.36	\$ 651,029.59	\$ ----	\$ ----	\$ ----
1924-25	239,166.22	231,883.74	----	3,480.00	----	3,802.48	----	----
1925-26	3,853,257.60	3,853,257.60	----	----	----	----	----	----
1926-27	2,553,574.23	2,553,574.23	----	----	----	----	----	----
1927-28	2,610,077.92	2,576,885.17	----	33,192.75	----	----	----	----
1928-29	3,860,790.89	2,704,056.92	----	27,633.77	----	1,129,100.20	----	----
1929-30	2,783,593.61	1,142,444.89	----	11,292.72	950,000.00	679,856.00	----	----
1930-31	1,379,307.26	1,366,735.26	----	12,572.00	----	----	----	----
1931-32	1,138,256.19	1,115,096.19	----	23,160.00	----	----	----	----
1932-33	823,279.51	786,759.21	----	20,488.30	----	16,032.00	----	----
1933-34	1,164,834.91	846,071.88	----	45,648.63	----	273,114.40	----	----
1934-35	882,577.27	776,048.57	----	80,984.70	----	25,544.00	----	----
1935-36	1,109,136.32	700,680.52	----	61,298.80	----	347,157.00	----	----
1936-37	1,994,464.47	759,962.85	----	74,043.92	----	1,160,457.70	----	----
1937-38	2,229,969.10	761,016.07	----	69,740.79	----	1,399,212.24	----	----
1938-39	1,442,152.17	673,155.54	----	65,233.20	----	703,763.43	----	----
1939-40	1,013,949.10	678,516.56	----	42,577.88	----	292,854.66	----	----
1940-41	801,726.29	719,760.62	----	42,064.67	----	39,901.00	----	----
1941-42	1,314,419.46	812,048.15	----	26,773.01	7,748.30	467,850.00	----	----
1942-43	3,199,056.60	761,254.30	----	23,016.83	860.47	2,413,925.00	----	----
1943-44	11,741,775.96	1,196,797.27	----	48,478.69	----	10,496,500.00	----	----
1944-45	4,268,661.29	1,733,929.60	----	88,121.69	----	2,446,610.00	----	----
1945-46	8,804,080.27	2,216,298.05	1,994.00	92,588.22	----	6,493,200.00	----	----
1946-47	6,739,766.30	3,530,163.75	23,421.00	122,181.55	----	3,064,000.00	----	----
1947-48	17,225,744.64	6,612,745.64	8,205.66	107,293.34	----	10,497,500.00	----	----
1948-49	12,768,877.49	8,177,304.71	15,297.60	99,515.18	1,210.00	4,467,550.00	----	----
1949-50	8,685,995.29	7,087,867.16	21,644.58	138,983.55	----	1,437,500.00	----	----
1950-51	16,548,902.11	8,210,838.56	25,718.06	150,145.49	----	8,162,200.00	----	----
1951-52	22,973,717.05	7,581,904.74	27,238.38	231,573.93	----	15,133,000.00	----	----
1952-53	33,863,915.07	8,451,771.62	39,655.26	278,488.19	----	25,094,000.00	----	----
1953-54	25,381,166.67	10,202,726.41	50,242.84	324,697.42	----	14,803,500.00	----	----
1954-55	23,904,670.98	11,274,602.53	44,643.12	361,925.33	----	12,223,500.00	----	----
1955-56	37,262,028.58	13,558,821.95	45,114.54	352,902.37	----	23,305,189.72	----	----
1956-57	21,878,249.58	17,502,323.55	48,578.43	340,591.88	----	3,990,755.72	----	----
1957-58	19,145,681.32	15,087,845.41	47,080.81	268,303.22	----	3,719,545.90	22,905.96	----
1958-59	24,464,835.56	16,823,966.90	92,590.29	262,284.03	----	7,233,410.21	----	52,584.11

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**PERMANENT UNIVERSITY FUND RECEIPTS
(Continued)**

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities	
							Bonds	Equities
1959-60	\$ 18,775,306.98	\$ 15,557,180.13	\$ 97,561.00	\$ 243,607.98	\$ 5,566.00	\$ 2,824,337.99	\$ ----	\$ 47,053.88
1960-61	17,015,510.65	14,754,716.31	106,498.80	181,638.76	----	1,851,856.75	72,452.93	48,353.10
1961-62	18,900,292.62	15,695,999.25	125,886.29	178,688.79	----	2,896,919.56	2,798.73	----
1962-63	17,555,883.36	14,776,924.23	114,125.92	172,563.90	----	2,239,940.28	227,329.03	25,000.00
1963-64	19,604,162.17	14,573,731.80	120,977.01	188,551.90	----	4,709,007.32	11,894.14	----
1964-65	28,761,935.78	16,129,182.21	119,386.54	218,234.93	----	12,295,111.25	20.85	----
1965-66	27,359,222.09	15,277,898.15	113,894.95	257,858.55	427.00	11,709,055.47	87.97	----
1966-67	17,077,814.26	15,547,261.19	123,401.52	281,032.49	1,523.00	930,920.26	13,784.25	179,891.55
1967-68	22,700,588.69	16,513,544.80	124,982.69	231,845.79	----	5,409,497.31	5.34	420,712.76
1968-69	23,112,761.85	16,638,054.98	135,085.98	319,026.86	45,443.00	4,133,164.45	9,949.42	1,832,037.16
1969-70	26,398,948.64	16,410,890.13	156,466.78	305,394.23	4,616.00	1,966,392.11	7,454.22	7,547,735.17
1970-71	26,671,948.49	18,388,315.30	172,840.88	276,364.31	----	1,838,207.68	965,437.62	5,030,782.70
1971-72	35,726,042.43	19,518,331.83	154,054.53	342,590.50	57,630.00	5,055,030.81	(25,860.30)	10,624,265.06
1972-73	38,779,680.45	18,966,510.58	164,131.00	445,247.23	18,308.00	7,066,026.34	(8,168,562.13)	20,288,019.43
1973-74	44,929,034.75	31,541,164.69	296,926.42	446,989.25	----	12,542,068.58	27,323.70	74,562.11
1974-75	67,487,859.30	58,512,448.78	204,565.31	690,281.42	----	8,265,982.40	24,912.79	(210,331.40)
1975-76	72,826,764.79	70,123,015.98	242,133.42	599,275.12	----	15,379,248.23	(12,574,689.63)(4)	(942,218.31)
1976-77	91,472,199.23	76,597,812.70	251,654.71	1,116,030.39	78,484.43	11,862,279.02	7,588.92	(441,650.94)
1977-78	97,250,391.42	76,845,154.01	295,196.04	1,401,703.95	97,311.79	18,573,336.16	24,575.56	13,113.91
1978-79	90,497,386.44	76,636,939.08	280,463.43	2,343,377.90	26,639.10	10,817,523.37	62,420.28	330,021.28
1979-80	122,649,526.92	119,356,296.50	436,345.90	2,550,236.82	45,516.93	252,798.50	58,756.28	(50,424.01)
1980-81	262,882,837.58	160,284,565.95	393,453.13	2,954,156.56	42,656.19	98,282,136.49	(342,583.31)	1,268,452.57
1981-82	206,393,579.27	178,286,242.90	430,941.66	2,558,661.21	103,508.94	20,221,156.06	(1,037,955.85)	5,831,024.35
1982-83	176,874,953.43	154,701,532.17	483,778.37	1,997,907.63	27,636.90	742,381.60	1,834,080.92	17,087,635.84
1983-84	179,902,223.07	145,186,363.81	855,112.73	2,314,846.80	15,886.00	7,253,984.34	1,144,757.33	23,131,272.06
1984-85	234,353,207.78	135,421,797.10	612,809.76	1,736,478.11	23,794.75	244,093.06	(10,501.59)	96,324,736.59
1985-86	288,651,796.17	109,510,168.89	791,815.98	822,774.96	38,870.30	6,171,721.86	(13,846,382.79)	185,162,826.97
1986-87	314,013,997.58	73,147,583.10	635,417.51	497,730.87	5,919.90	6,984,753.24	4,570,190.35	228,172,402.61
1987-88	162,578,213.06	75,431,806.53	713,387.71	592,239.82	24,721.26	3,567,966.96	(15,049,888.50)	97,297,979.28
1988-89	212,273,613.38	67,236,036.49	1,126,926.76	869,198.15	35,330.25	2,554,807.73	(79,505.18)	140,530,819.18
1989-90	140,687,878.53	71,539,477.03	1,095,340.40	883,053.35	43,723.80	4,913,077.50	(719,878.80)	62,933,085.25
1990-91	91,400,742.89	85,049,436.13	1,078,680.17	772,629.46	24,360.75	2,383,307.90	(7,628,744.89)	9,721,273.17
TOTALS	\$1,526,480,946.04	\$2,157,242,110.62	\$12,541,667.87	\$32,924,817.40	\$2,378,722.65	\$459,458,416.24	\$(50,195,826.48)	\$912,331,017.63

(1) Consists of water royalties, lease rentals and brine royalties. Beginning 1989 includes brine lease rentals.
(2) Consists of oil and gas rentals and sulphur lease rentals. Prior to 1989 includes brine lease rentals.
(3) 1985 and subsequent years consists of sale of sand, gravel and other materials.
(4) Includes \$57,718.17 profit on sale of bonds and \$12,632,427.80 adjustment for certain bond exchanges of prior years which did not meet the criteria established by the State Auditor for transactions to be classed as exchanges.

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APPENDIX B
HISTORICAL BOOK VALUE OF PERMANENT UNIVERSITY FUND INVESTMENTS
(1971-1991)

Piscal Year Ending Aug. 31	Total Investments and Cash	U.S. Government Obligations	U.S. Government Agencies (Non-Guaranteed)	Foreign Government Obligations	Corporate Bonds (1)	Equity Securities (2)	Cash and Equivalent
1971	\$ 594,849,017.56	\$128,784,611.54	----	----	\$234,360,279.62	\$ 215,470,381.85	\$ 16,233,744.55
1972	630,575,059.99	145,803,494.06	----	----	233,763,862.43	247,398,863.18	3,608,840.32
1973	669,354,740.44	135,744,462.77	----	----	243,453,994.14	258,638,644.09	31,517,639.44
1974	714,283,775.19	155,858,761.16	\$ 1,000,000.00	----	247,562,656.25	269,522,514.24	40,339,843.54
1975	781,771,634.49	208,918,986.48	1,000,000.00	----	279,571,990.53	270,865,293.16	21,415,364.32
1976	854,598,399.28	242,294,930.84	1,000,000.00	----	281,548,560.00	298,523,549.51	31,211,358.93
1977	946,070,598.51	261,884,549.50	1,000,000.00	----	292,352,324.42	344,731,989.40	46,101,735.19
1978	1,043,320,989.93	316,232,681.45	1,000,000.00	----	297,913,283.48	373,021,417.97	55,153,587.03
1979	1,133,818,376.37	341,448,555.99	17,788,975.10	----	326,340,710.66	396,179,645.31	52,060,481.31
1980	1,256,467,903.29	371,023,095.87	16,152,581.02	----	388,186,877.79	434,713,755.41	46,191,593.20
1981	1,519,350,740.87	444,816,629.10	23,535,097.70	----	475,321,514.50	425,512,468.12	150,165,031.45
1982	1,735,744,320.14	510,405,770.15	38,111,205.74	----	568,225,859.09	500,389,055.57	108,612,429.59
1983	1,902,619,273.57	589,721,845.11	32,089,505.36	----	630,357,639.27	579,748,768.95	70,701,514.88
1984	2,082,521,496.64	619,104,344.19	18,083,085.29	----	668,456,133.78	701,217,910.14	75,660,023.24
1985	2,316,874,704.42	579,011,221.29	25,515,038.20	----	706,713,287.03	626,924,264.80	178,710,893.10
1986	2,605,526,500.59	605,012,041.77	53,762,857.04	----	694,416,298.95	767,028,384.58	485,106,918.25
1987	2,919,540,498.17	503,934,290.97	176,478,682.40	----	688,050,905.79	864,579,822.01	686,496,797.00
1988	3,082,118,711.23	471,684,659.47	284,347,623.00	----	712,645,527.40	997,439,894.95	616,001,006.41
1989	3,294,392,324.61	624,382,653.79	316,207,653.00	----	735,211,572.16	1,150,005,562.00	468,584,881.66
1990	3,435,080,203.14	564,158,126.76	313,131,768.72	2,000,000.00	748,962,694.89	1,180,358,091.37	626,469,521.40
1991	3,526,480,946.03	643,177,508.59	331,608,491.17	19,433,108.75	846,531,726.34	925,642,814.02	760,097,277.16

(1) 1971 and 1979 and subsequent years include Preferred Stocks.
(2) Includes Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.

APPENDIX B
 HISTORICAL MARKET VALUE OF
 PERMANENT UNIVERSITY FUND INVESTMENTS
 (1958-1991)

Fiscal Year Ending Aug. 31	Market Value
1958	\$ 283,642,585.96
1959	300,619,318.71
1960	336,685,252.84
1961	363,319,703.48
1962	374,325,438.44
1963	410,157,219.63
1964	435,930,449.88
1965	467,016,457.82
1966	438,550,617.34
1967	485,074,088.49
1968	515,056,095.95
1969	494,350,751.87
1970	468,518,819.95
1971	564,491,493.21
1972	633,752,043.29
1973	617,918,754.39
1974	527,782,500.53
1975	670,731,301.24
1976	835,071,286.00
1977	919,814,401.79
1978	1,008,404,752.47
1979	1,094,333,795.89
1980	1,150,403,913.73
1981	1,293,316,410.28
1982	1,615,383,488.74
1983	2,011,544,826.08
1984	2,150,403,445.10
1985	2,556,286,338.84
1986	3,112,081,335.16
1987	3,395,190,360.82
1988	3,227,421,237.07
1989	3,740,390,017.25
1990	3,541,314,858.55
1991	3,921,627,069.29

APPENDIX B
 PERMANENT UNIVERSITY FUND INVESTMENT INCOME
 DISTRIBUTED TO THE AVAILABLE UNIVERSITY FUND
 (From September 1, 1927 through August 31, 1991)

Fiscal Year	Investment Income	Fiscal Year	Investment Income
1927-28	\$ 242,530.27	1959-60	\$ 10,358,042.19
1928-29	384,509.18	1960-61	11,455,349.70
1929-30	503,677.31	1961-62	12,948,663.15
1930-31	642,221.37	1962-63	13,796,774.26
1931-32	842,324.14	1963-64	14,619,208.91
1932-33	733,999.12	1964-65	15,578,822.37
1933-34	743,505.80	1965-66	17,133,153.49
1934-35	726,727.46	1966-67	18,277,297.98
1935-36	702,334.60	1967-68	20,744,435.44
1936-37	719,979.17	1968-69	20,224,677.25
1937-38	790,655.00	1969-70	23,831,518.76
1938-39	859,493.29	1970-71	26,726,891.49
1939-40	904,822.71	1971-72	28,715,314.64
1940-41	904,507.18	1972-73	31,605,153.76
1941-42	932,705.90	1973-74	35,962,902.19
1942-43	1,086,824.10	1974-75	39,800,465.17
1943-44	1,182,982.97	1975-76	47,165,076.06
1944-45	1,204,251.79	1976-77	53,999,915.26
1945-46	1,556,650.11	1977-78	62,810,431.58
1946-47	1,596,337.42	1978-79	72,810,453.90
1947-48	1,821,256.61	1979-80	85,683,547.80
1948-49	2,192,910.68	1980-81	107,676,905.39
1949-50	2,495,001.08	1981-82	144,165,994.62
1950-51	2,900,964.91	1982-83	162,431,236.74
1951-52	3,367,364.31	1983-84	175,929,054.08
1952-53	3,871,713.17	1984-85	191,265,366.31
1953-54	5,097,077.92	1985-86	214,473,828.96
1954-55	5,826,824.79	1986-87	214,771,440.91
1955-56	6,636,678.96	1987-88	236,873,982.38
1956-57	7,603,131.15	1988-89	254,333,926.06
1957-58	8,513,540.19	1989-90	266,119,332.35
1958-59	9,319,666.26	1990-91	<u>257,659,365.29</u>
		TOTAL	<u>\$2,966,855,697.36</u>

APPENDIX C
COMBINED DEBT SERVICE REQUIREMENTS
OUTSTANDING PUF BONDS AND THE BONDS

APPENDIX C

COMBINED DEBT SERVICE REQUIREMENTS
OUTSTANDING PUF BONDS AND THE BONDS

<u>FISCAL YEAR</u> <u>ENDING</u> <u>AUGUST 31</u>	<u>SERIES</u> <u>1985, 1988 AND 1991</u> <u>DEBT SERVICE</u>	<u>DEBT SERVICE</u> <u>ON THE</u> <u>BONDS (1)</u>	<u>TOTAL</u> <u>DEBT</u> <u>SERVICE</u>
1991			
1992			
1993			
1994			
1995			
1996			
1997			
1998			
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			

(1) Assumed interest rate of 7% used for purposes of illustration.

APPENDIX D
SCHEDULE OF OUTSTANDING INDEBTEDNESS

APPENDIX D

**THE UNIVERSITY OF TEXAS SYSTEM
SCHEDULE OF OUTSTANDING INDEBTEDNESS (1)**

	<u>Original Amount Issued</u>	<u>Outstanding</u>
The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986(2)	\$ 36,410,000	\$ 29,835,000
The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986(3)	85,365,000	66,330,000
Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991A, 1991B and 1991C(3)	282,725,000	282,725,000
M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976(3)	18,500,000	7,160,000
Hospital Revenue Bonds, Subordinate Lien, Series 1976(3)	4,770,000	2,730,000
Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986(3)	7,625,000	6,470,000

-
- (1) Does not include the PUF Bonds or Subordinate Lien Notes or lease purchase payables in various amounts totaling \$8,042,878 as of August 31, 1991.
- (2) Payable from Available University Fund surplus on a junior and subordinate basis to PUF Bonds and Subordinate Lien Notes.
- (3) Not payable from Available University Fund.

D-1

APPENDIX E
SCHEDULE OF DEBT BEING REFUNDED

APPENDIX F
FORM OF BOND COUNSEL OPINION

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CABLE VINELKINS LONDON W1-TELEX 24140

_____, 1992

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND REFUNDING BONDS
SERIES 1992A, DATED _____, 1992,
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____

WE HAVE ACTED AS BOND COUNSEL to the Board of Regents of The University of Texas System (the "Board") in connection with the issuance by the Board of the bonds described above (the "Bonds"). The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 principal amount or any integral multiple thereof. The Bonds bear interest from _____ 1, 1992 until maturity or prior redemption, payable on July 1, 1992 and on each January 1 and July 1 thereafter until maturity or prior redemption, at the respective rates of interest per annum and maturing on the dates and in the respective amounts set forth below:

<u>Due</u> <u>July 1</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
1996	\$ _____	_____ %
1997	_____	_____ %
1998	_____	_____ %
1999	_____	_____ %
2000	_____	_____ %
2001	_____	_____ %
2002	_____	_____ %
2003	_____	_____ %
2004	_____	_____ %
2005	_____	_____ %
2006	_____	_____ %
2007	_____	_____ %
2008	_____	_____ %
2009	_____	_____ %
2010	_____	_____ %
2011	_____	_____ %
2012	_____	_____ %
2013	_____	_____ %

THE BONDS ARE BEING ISSUED pursuant to a resolution adopted by the Board on February 13, 1992 (the "Bond Resolution"), for the purpose of obtaining funds to refund certain outstanding obligations of the Board. The Bonds are secured equally and ratably, together with other outstanding obligations of the Board issued on a parity with the Bonds, by a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as such quoted terms are defined in the Bond Resolution). The Board has reserved the right to issue other obligations on a parity with the Bonds and the other bonds secured equally and ratably therewith, and to amend the Bond Resolution with the approval of the owners of 51% of the outstanding principal amount of all bonds and notes of the Board that are secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

THE SCOPE OF OUR ENGAGEMENT AS BOND COUNSEL extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefor under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of The University of Texas System or the "Permanent University Fund" (as defined in the Bond Resolution) or the Available University Fund, and we have not assumed any responsibility with respect to the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have examined applicable provisions of the Constitution and laws of the State of Texas and a transcript of certain materials pertaining to the Bonds and the bonds being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board and Ameritrust Texas National Association (the "Escrow Agent"); the report of Ernst & Young, certified public accountants, verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the bonds being refunded and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; customary certificates, affidavits and other documents executed by officers, agents and representatives of the Board, the State of Texas, the Escrow Agent and others; and other certified showings related to the authorization and issuance of the Bonds and the firm banking and financial arrangements for the discharge and final

payment of the bonds being refunded. We have also examined fully executed Bond No. R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT:

(a) The Board is the governing body of The University of Texas System, a duly created and existing agency of the State of Texas, and has full power and authority to issue the Bonds and to adopt the Bond Resolution and perform its obligations thereunder.

(b) The Board has duly adopted the Bond Resolution, which resolution duly authorizes the issuance, sale, execution and delivery of the Bonds. Authorized representatives of the Board have duly executed the Bonds, and the Bonds have been duly registered and delivered to the initial purchasers thereof. The Bonds constitute legal, valid and binding limited obligations of the Board secured, along with certain other obligations of the Board, by a first lien on and pledge of the Interest of the System in the Available University Fund; provided, however, that the enforceability of certain provisions of the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors and by general principles of equity that permit the exercise of judicial discretion. The form and execution of executed Bond No. R-1 are regular and proper.

(c) The Bonds are issued and delivered pursuant to and in accordance with the Bond Resolution and the Constitution and laws of the State of Texas, particularly article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended. The Bonds are not general obligations of the Board but are special, limited obligations payable solely from revenues, funds and assets pledged under the Bond Resolution and not from any other revenues, funds or assets of the Board. The Bonds are not and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas.

(d) Firm banking and financial arrangements have been made for the discharge and final payment of the bonds being refunded pursuant to an Escrow Agreement entered into between the Board and the Escrow Agent and effective the date of delivery of the Bonds, and that, therefore, such bonds are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

In expressing such opinions we have considered litigation originally styled League of United Latin American Citizens (LULAC), et al. v. Ann Richards, et al., Cause No. 12-87-5242-A, filed in the 107th District Court, Cameron County, Texas, challenging the constitutionality of the higher education system of the State of Texas. In our opinion, such litigation does not affect the validity of the Bonds or modify the rights of the Bondholders to payment from the Interest of the System in the Available University Fund. Reference is made to the Official Statement for a more complete description of the litigation.

IT IS OUR FURTHER OPINION THAT:

(i) Interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes under existing law.

(ii) The difference between the amount payable at maturity of each Bond maturing on July 1 of the years

(the "Original Issue Discount Bonds"), and the "issue price" of such Bond (based on the initial reoffering "yield" or "price" as stated in the Official Statement prepared for use in connection with the sale of the Bonds) is excludable from gross income for federal income tax purposes as original issue discount under existing law.

(iii) The Bonds are not "private activity bonds," within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax and its Superfund "environmental tax" liability.

In providing the opinions set forth in paragraphs (i), (ii) and (iii) above, we have relied on representations of the Board and its authorized representatives with respect to matters solely within the knowledge of the Board which we have not independently verified, and we have assumed continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Board fails to comply with the foregoing covenants of the Bond Resolution, interest on the Bonds could become includable in gross income from the date of their original

delivery, regardless of the date on which the event causing such inclusion occurs.

Purchasers of Original Issue Discount Bonds in the initial public offering are directed to the discussion entitled "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS" set forth in the Official Statement prepared for use in connection with the sale of the Bonds for purposes of determining the portion of the original issue discount described in paragraph (ii) above which is allocable to the period such Bonds are held by a holder. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Each prospective purchaser should consult his own tax advisor with respect to such matters.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

On June 26, 1991 the Tax Simplification Bill of 1991, S. 1394/H.R. 2777, was introduced in the United States House of Representatives by Ways and Means Committee Chairman Rostenkowski and in the United States Senate by Finance Committee Chairman Bentsen (together with the ranking minority members of such Committees). If the 1991 Bill is enacted as currently drafted, for partnership taxable years ending on or after December 31, 1992, certain "large partnerships" may be required to include in the computation of taxable income at the partnership level tax-exempt interest, such as interest on the Bonds. Prospective purchasers of the Bonds who may be or become "large partnerships" should consult their tax advisors regarding the 1991 Bill.

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3. U. T. Board of Regents: Adoption of Resolution Authorizing the Issuance of Permanent University Fund Refunding Bonds, Series 1992B, in an Amount Not to Exceed \$85,000,000; Authorization for the Office of Asset Management to Advertise for Bids for the Bonds; Appointment of Vinson & Elkins, Austin, Texas, and Lannen & Moye, Dallas, Texas, as Co-Bond Counsel; McCall, Parkhurst & Horton, Dallas, Texas, as Disclosure Counsel; and Ameritrust Texas, N. A., Austin, Texas, as Paying Agent; and Authorization for Officers of U. T. System to Complete All Transactions.--Acting Executive Vice Chancellor Ricks noted that, in order to take advantage of the current rate environment, the issuance of The University of Texas System Permanent University Fund Refunding Bonds, Series 1992B was recommended to (a) refund all outstanding Permanent University Fund Variable Rate Notes and (b) finance approximately one year's project expenditures under the U. T. System 1991-1996 Capital Improvement Plan.

Following a brief discussion, the Board:

- a. Adopted the Resolution substantially in the form set out on Pages 102 - 195 to authorize the issuance of Permanent University Fund Refunding Bonds, Series 1992B, in an amount not to exceed \$85,000,000 and a final maturity of July 1, 2013, to be used to refund \$16,000,000 of Permanent University Fund Variable Rate Notes and to provide bond proceeds for projects approved under the U. T. System Capital Improvement Plan
- b. Authorized the Office of Asset Management to advertise for bids for the bonds
- c. Appointed Vinson & Elkins, Austin, Texas, and Lannen & Moye, Dallas, Texas, as Co-Bond Counsel
- d. Appointed McCall, Parkhurst & Horton, Dallas, Texas, as Disclosure Counsel
- e. Appointed Ameritrust Texas, N. A., Austin, Texas, as Paying Agent
- f. Authorized certain officers and employees of the U. T. System to take any and all steps necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

DRAFT

January 21, 1992

RESOLUTION

authorizing the issuance, sale and delivery of

Board of Regents
of
The University of Texas System
Permanent University Fund Bonds
Series 1992B

and approving and authorizing instruments and procedures
relating thereto

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RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND
DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
BONDS, SERIES 1992B, AND APPROVING
AND AUTHORIZING INSTRUMENTS AND PROCEDURES
RELATING THERETO

WHEREAS, article VII, section 18 of the Texas Constitution, as amended, authorizes the Board (hereinafter defined) to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined), exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, 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 (hereinafter defined) administration and component institutions of the System; and

WHEREAS, the Board heretofore has authorized, issued, and delivered, pursuant to such constitutional provision, its Refunded Notes, which are now outstanding in the aggregate principal amount of \$16,000,000, and which, along with certain other outstanding obligations of the Board, are secured by a pledge of the Board's two-thirds interest in the Available University Fund; and

WHEREAS, the Board has determined to authorize issuance of its obligations in the maximum aggregate principal amount of \$_____ for the purposes of refunding the Refunded Notes and paying the Project Costs (hereinafter defined) of certain Eligible Projects (hereinafter defined), all pursuant to article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and other applicable laws;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

ARTICLE I

DEFINITIONS, INTERPRETATION AND FINDINGS

Section 1.01. DEFINITIONS. Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except the FORM OF BOND appearing in Section 2.06 hereof.

"Additional Parity Bonds and Notes" means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 3.04 hereof or pursuant to Section 12 of the Series 1985 Resolution, Section 3.04 of the Series 1988 Resolution, Section 3.04 of the Series 1991 Resolution or Section 3.04 of the Series 1992A Resolution.

"Authorized Denomination" means \$5,000 principal amount or any integral multiple thereof.

"Authorized Investments" means those obligations, certificates or agreements as described in the Public Funds Investment Act of 1987, Article 842a-2, Texas Revised Civil Statutes Annotated, as amended from time to time.

"Authorized Representative" means the Executive Vice Chancellor for Asset Management of the System, or in the event of a vacancy in such position, the person duly authorized to act in such capacity pending the appointment of a successor to such position.

"Available University Fund" means, as provided in article VII, section 18 of the Texas Constitution, as amended, 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.

"Board" means the Board of Regents of the System.

"Bond" or "Bonds" means any one or more, as the case may be, of the bonds authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

"Bond Year" means the period beginning on July 2 of any calendar year and continuing through July 1 of the following calendar year.

"Code" means the Internal Revenue Code of 1986, as amended.

"Construction Account" means the "Board of Regents of The University of Texas System Permanent University Fund Bond Construction Account" established by the Board pursuant to Section 7.06 of this Resolution.

"Counsel's Opinion" means a written legal opinion of nationally recognized bond counsel acceptable to the Board.

"Defeased Bond" means any Bond the principal of and interest on which is deemed to be paid, retired and no longer outstanding within the meaning of this Resolution, pursuant to and in accordance with Section 7.02 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participant" means the securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

"Eligible Project" means 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, library books and library materials. The term "Eligible Project" does not include the constructing, equipping, repairing or rehabilitating of buildings or other permanent improvements that are to be used for student housing, intercollegiate athletics or auxiliary enterprises.

"Government Obligations" means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, and which may be in book-entry form.

"Initial Bonds" means the Bonds authorized, issued, sold and initially delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller of Public Accounts of the State of Texas, has been placed.

"Interest and Sinking Fund" means the Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund described in Section 3.02 hereof.

"Interest of the System," when used with reference to the Available University Fund, means the System's two-thirds interest

in the Available University Fund as apportioned and provided in article VII, section 18 of the Texas Constitution, as amended.

"Paying Agent" means the paying agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such paying agent appointed hereunder.

"Paying Agent/Registrar" means the entity acting as both Paying Agent and Registrar hereunder.

"Paying Agent Agreement" means the agreement with the Paying Agent/Registrar authorized by Section 2.14 hereof, as such agreement may be amended from time to time in accordance with the terms thereof.

"Permanent University Fund" means the Permanent University Fund as created, established, implemented and administered pursuant to sections 10, 11, 11a, 15 and 18 of article VII of the Texas Constitution, as amended, and by other applicable present and future constitutional and statutory provisions.

"Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

"Project Costs" means 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, underwriters discount and/or fees, legal, financial and other professional services, and reimbursements for such Project Costs attributable to Eligible Project incurred prior to issuance and delivery of the Bonds or and any Additional Parity Bonds and Notes.

"PUF Bonds" means the Bonds, the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992A Bonds and all Additional Parity Bonds and Notes.

"Record Date" means, with respect to any scheduled interest payment date or scheduled principal payment date on the Bonds, the 15th day of the month next preceding such payment date.

"Refunded Notes" means the Board of Regents of The University of Texas System Variable Rate Notes, Series A, issued under a resolution adopted by the Board on December 7, 1989, and outstanding in the aggregate principal amount of \$16,000,000, which are refunded by the Bonds.

"Registrar" means the registrar and transfer agent for the Bonds appointed by the Board in Section 2.14 hereof, or any successor to such registrar and transfer agent appointed by the Board hereunder.

"Registration Books" means the books or records of the registration and transfer of the Bonds required to be kept by or on behalf of the Board pursuant to Section 2.09 hereof.

"Resolution" means this resolution authorizing the Bonds.

"Series 1985 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1985, issued under the Series 1985 Resolution in the original aggregate principal amount of \$345,970,000.

"Series 1985 Resolution" means the resolution adopted by the Board on October 24, 1985, authorizing the issuance of the Series 1985 Bonds, as such resolution may be amended from time to time.

"Series 1988 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1988, issued under the Series 1988 Resolution in the original aggregate principal amount of \$100,000,000.

"Series 1988 Resolution" means the resolution adopted by the Board on April 14, 1988, authorizing the issuance of the Series 1988 Bonds, as such resolution may be amended from time to time.

"Series 1991 Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1991, issued under the Series 1991 Resolution in the original aggregate principal amount of \$254,230,000.

"Series 1991 Resolution" means the resolution adopted by the Board on February 14, 1991, authorizing the issuance of the

Series 1991 Bonds, as such resolution may be amended from time to time.

"Series 1992A Bonds" means the Board's Permanent University Fund Refunding Bonds, Series 1992A, authorized to be issued under the Series 1992A Resolution in the maximum original aggregate principal amount of \$_____; provided, that, all references herein to the Series 1992A Bonds shall be of no force and effect if the Series 1992A Bonds are not actually issued and delivered prior to the issuance and delivery of the Bonds.

"Series 1992A Resolution" means the resolution adopted by the Board on the date hereof authorizing the issuance of the Series 1992A Bonds, as such resolution may be amended from time to time; provided, that, all references herein to the Series 1992A Resolution shall be of no force and effect if the Series 1992A Bonds are not actually issued and delivered prior to the issuance and delivery of the Bonds.

"System" means The University of Texas System, including each of the following existing and operating institutions, respectively:

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

together with every other institution or branch thereof now or hereafter operated by or under the jurisdiction of the Board pursuant to law.

Section 1.02. RECITALS, TABLE OF CONTENTS, TITLES AND HEADINGS. The terms and phrases used in the recitals of this Resolution have been included for convenience of reference only and the meaning, construction and interpretation of such terms and phrases for purposes of this Resolution shall be determined solely by reference to Section 1.01 of this Resolution. The table of

contents, titles and headings of the articles and sections of this Resolution have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Resolution or any provision hereof or in ascertaining intent, if any question of intent should arise.

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

ARTICLE II

AUTHORIZATION AND TERMS OF THE BONDS

Section 2.01. AUTHORIZATION AND AUTHORIZED AMOUNT. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State of Texas, particularly article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, Bonds are hereby authorized to be issued, in the maximum aggregate principal amount of _____ MILLION DOLLARS (\$____,000,000) for the purpose of obtaining funds to refund the Refunded Notes and to pay the Project Costs of certain Eligible Projects, all in accordance with and subject to the terms, conditions and limitations contained herein. The Bonds are Additional Parity Bonds permitted to be issued under Section 12 of the Series 1985 Resolution, Section 3.04 of the Series 1988 Resolution, Section 3.04 of the Series 1991 Resolution and Section 3.04 of the Series 1992A Resolution on a parity and in all respects of equal dignity with the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds.

Section 2.02. DESIGNATION, FORM, NUMBERS, DATE AND DENOMINATION OF THE BONDS. Each Bond shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BOND, SERIES 1992B". The Bonds shall be issuable only in fully

registered form without coupons. The Bonds shall be lettered and numbered separately from 1 upward prefixed by the letter R. Each Bond shall be in an Authorized Denomination and shall be dated as of the first calendar day of the month in which such Bond is sold at public sale pursuant to Section 7.04 of this Resolution.

Section 2.03. INTEREST PAYMENT DATES, INTEREST RATES AND MATURITY OF THE BONDS. Interest on the Bonds shall be payable on the first January 1 or July 1 that is at least sixty (60) days following the date of the Bonds and continuing on each January 1 and July 1 thereafter until maturity or prior redemption. The Bonds shall bear interest at the fixed rate or rates of interest per annum, calculated on the basis of a 360-day year composed of twelve 30-day months, determined at the public sale held pursuant to Section 7.04 of this Resolution; provided that (i) the interest rate or rates for the Bonds must be in a multiple of 1/8 of 1% or 1/20 of 1%, with all of the Bonds of the same maturity bearing the same interest rate, (ii) the maximum interest rate per annum borne by any Bond must not exceed 15%, (iii) the highest interest rate on any Bond must not exceed the lowest interest rate on the Bonds by more than 4.0%, and (iv) the interest rate on Bonds of any maturity must not be less than the interest rate on Bonds of any earlier maturity. The Bonds shall mature and become payable (either by scheduled maturity or pursuant to mandatory sinking fund redemption provisions) on July 1 in each of the years 1994 through 2013 (both inclusive), subject to prior redemption as set forth in the FORM OF BOND appearing in this Resolution.

Each Initial Bond and each Bond authenticated prior to the first Record Date on the Bonds shall bear interest from the date thereof. Each Bond authenticated on or after the first Record Date on the Bonds shall bear interest from the interest payment date immediately preceding the date of authentication, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case such Bond shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any exchange or replacement Bond the interest on the Bond it replaces or for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full.

Section 2.04. REDEMPTION PRIOR TO MATURITY. (a) The Bonds are subject to optional redemption prior to stated maturity on the redemption dates and at the redemption price set forth in the FORM OF BOND appearing in this Resolution. The Bonds shall be subject to mandatory sinking fund redemption prior to stated maturity at a redemption price of par, without premium, plus accrued interest to the redemption date, in the amounts and on the dates determined

at the public sale held pursuant to Section 7.04 of this Resolution.

(b)(i) Notice of any redemption shall be given to the registered owners of the Bonds to be redeemed, all as set forth in the FORM OF BOND appearing in this Resolution.

(ii) In addition to the notice of redemption set forth in the FORM OF BOND, the Paying Agent/Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid at least thirty (30) days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least thirty (30) days but not more than ninety (90) days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two (2) days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent the Bonds in for redemption sixty (60) days after the redemption date.

(iii) Each notice of redemption, whether required in the FORM OF BOND or in this Section, shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the maturity date, the CUSIP number, the certificate numbers, the amounts called of each certificate, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

(iv) All redemption payments made by the Paying Agent/Registrar to the registered owners of the Bonds shall include a CUSIP number relating to each amount paid to such registered owner.

Section 2.05. MEDIUM AND PLACE OF PAYMENT. The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the principal office for payment of the Paying Agent. Interest on the Bonds shall be payable by the Paying Agent on each interest payment date, by check dated as of such interest payment date, sent by United States mail, first-class postage prepaid, to the respective owners thereof, at the address of each such registered owner as it appears on the Record Date

preceding each such interest payment date. In addition, interest may be paid by such other method acceptable to the Paying Agent requested by, at the risk and expense of, the respective registered owners of the Bonds. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in this Resolution shall be payable to the registered owner thereof at the principal office for payment of the Paying Agent upon presentation and surrender thereof for redemption and payment at such principal office for payment. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements among the Board and DTC.

Section 2.06. FORM OF BOND. (a) The form of all Bonds issued under this Resolution shall be substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF BOND

NO. _____ PRINCIPAL AMOUNT
 UNITED STATES OF AMERICA \$ _____
 STATE OF TEXAS
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 PERMANENT UNIVERSITY FUND BOND
 SERIES 1992B

INTEREST RATE MATURITY DATE DATED DATE CUSIP NO.
 _____ % _____, 1992 _____

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Board"), being the governing body of The University of Texas System, an agency of the State of Texas, hereby promises to pay to _____ or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____ and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the dated date specified above to the maturity date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on the first January 1 or July 1 that is at least sixty days following the dated date specified above, and semiannually on each January 1 and July 1 thereafter, except that if the date of authentication of this Bond is later than July 1, 1992, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest

payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal office for payment of Ameritrust Texas National Association in Dallas, Texas, which initially is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal office for payment of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal office for payment of the Paying Agent/Registrar. The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due. Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository.

IF THE DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the principal office for payment of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for

such payment shall be the next succeeding day that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND is one of an issue of Bonds authorized to be issued in the maximum aggregate principal amount of \$____,000,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD'S PERMANENT UNIVERSITY FUND VARIABLE RATE NOTES, SERIES A, IN THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF \$16,000,000, AND TO PAY THE "PROJECT COSTS" OF "ELIGIBLE PROJECTS" OF THE UNIVERSITY OF TEXAS SYSTEM (the quoted terms having the meanings set forth in the Bond Resolution).

ON JULY 1, 2002, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Board, with funds derived from any available and lawful source, as a whole or in part in any integral multiple of \$5,000 principal amount, and if in part, the particular Bonds or portions thereof to be redeemed shall be selected and designated by the Board (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000 principal amount), at a redemption price of par, without premium, plus accrued interest to the date fixed for redemption; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

*[The Bonds of this Series maturing on July 1, _____ are subject to mandatory sinking fund redemption prior to their scheduled maturity/maturities in the following amounts, on the following dates at a price of par, without premium, plus accrued interest to the date fixed for redemption:

<u>Redemption Date</u>	<u>Principal</u>
<u>(July 1)</u>	<u>Amount</u>
	\$ _____

*Include bracketed language (with all blanks appropriately completed) if it is determined at the public sale held pursuant to Section 7.04 of the Resolution that the Bonds of any maturity are subject to mandatory sinking fund redemption.

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.]

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in the City of New York, New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter). Such notice also shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, not less than 30 days prior to the date fixed for any such redemption, to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th day prior to such redemption date on the Registration Books kept by the Paying Agent/Registrar; provided, however, that the failure to send, mail, or receive such notice, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of such notice as required above shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof that are to be so redeemed, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof that are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled

maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive from the Paying Agent/Registrar the redemption price plus accrued interest, out of the funds provided for such payment. If a portion of any Bond shall be redeemed, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 principal amount, at the written request of the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.

THIS BOND OR ANY PORTION HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 principal amount may be assigned and shall be transferred only in the Registration Books of the Board kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion hereof in any integral multiple of \$5,000 principal amount to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Board shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this Bond shall be deemed and treated by the Board and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Board and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of

\$5,000 principal amount or any integral multiple thereof. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 principal amount as requested in writing by the appropriate registered owner or assignee, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Board shall pay the Paying Agent/Registrar's standard or customary fees and charges for converting and exchanging any Bond or any portion thereof, but the one requesting such conversion and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange.

THE PAYING AGENT/REGISTRAR shall not be required to make any transfer of registration of this Bond or any portion hereof, or any conversion and exchange hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

WHENEVER the beneficial ownership of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT any Paying Agent/Registrar for the Bonds is changed by the Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and

principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the fund (the "Available University Fund") consisting of the dividends, interest and other income (less administrative expenses) from the Permanent University Fund that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with article VII, section 18 of the Texas Constitution and other applicable laws.

THE BOARD heretofore has issued its \$345,970,000 Permanent University Fund Refunding Bonds, Series 1985, its \$100,000,000 Permanent University Fund Refunding Bonds, Series 1988, and its \$254,230,000 Permanent University Fund Refunding Bonds, Series 1991. [Further, prior to the issuance of the Bonds, the Board issued its \$_____ Permanent University Fund Refunding Bonds, Series 1992A, for the purpose of refunding \$168,370,000 in aggregate principal amount of the Board's Permanent University Fund Refunding Bonds, Series 1985, described above.*] All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER hereof shall never have the right to demand payment of this Bond or the interest hereon out of any funds raised or to be raised by taxation or from any source whatsoever other than specified in the Bond Resolution.

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the

*Include bracketed language (with the blank appropriately completed) only if the Series 1992A Bonds are actually issued and delivered prior to the issuance and delivery of the Bonds.

Board, and agrees that the terms and provisions of this Bond and the Bond Resolution constitute a contract between each registered owner hereof and the Board.

IN WITNESS WHEREOF, the Board has caused this Bond to be signed with the manual or facsimile signature of the Chairman of the Board and countersigned with the manual or facsimile signature of the Executive Secretary of the Board, and has caused the official seal of the Board to be duly impressed, or placed in facsimile, on this Bond.

(facsimile signature)
Executive Secretary, Board of
Regents of The University of
Texas System

(facsimile signature)
Chairman, Board of Regents
of The University of Texas
System

(BOARD SEAL)

(b) The registration certificate of the Comptroller of Public Accounts of the State of Texas shall be affixed or attached to each of the Initial Bonds and shall be in substantially the following form:

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

REGISTER NO. _____

THE STATE OF TEXAS

I hereby certify that this Bond has been examined, certified as to validity, and approved by the Attorney General of the State of Texas, and that this Bond has this day been duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY HAND AND SEAL OF OFFICE at Austin, Texas this

Comptroller of Public Accounts
of the State of Texas

(c) A Paying Agent/Registrar's Authentication Certificate shall be printed on each Bond, in substantially the following form:

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that the initial Bonds of the series of Bonds of which this Bond is a part were approved by the Attorney General of the State of Texas.

_____, TEXAS
Paying Agent/Registrar

Dated

Authorized Signature

(d) Assignment provisions shall be printed on the back of each Bond, in substantially the following form:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned registered owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

(Assignee's Social Security or Taxpayer Identification Number)

(print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints

attorney to transfer the registration of this Bond on the Paying Agent/Registrar's Registration Books with full power of substitution in the premises.

Date: _____

Signature Guaranteed:

NOTICE: This signature must be guaranteed by a member of the New York Stock Exchange or a commercial bank or trust company.

Registered Owner
NOTICE: This signature must correspond with the name of the Registered Owner appearing on the face of this Bond.

(e) The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Authorized Representative, be printed on the Bonds but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bond.

Section 2.07. EXECUTION OF BONDS. The Bonds shall be executed on behalf of the Board by the Chairman and the Executive Secretary of the Board, by their manual or facsimile signatures, and the official seal of the Board shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by said officers of the Board, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds. In the event that any officer of the Board whose manual or facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

Section 2.08. AUTHENTICATION OF BONDS. Except for the Initial Bonds, which shall not be authenticated by the Registrar, all other Bonds shall bear a certificate of authentication, substantially in the form provided in Section 2.06 of this Resolution. No Bonds, except for the Initial Bonds, shall be deemed to be issued or outstanding, or be valid or obligatory for any purpose, or be entitled to any security or benefit of this Resolution unless and until such Bond has been duly authenticated by the Registrar by the execution of the certificate of authentication appearing on such Bond. The certificate of authentication appearing on any Bond shall be deemed to have been duly executed by the Registrar if dated and manually signed by an authorized signatory of the Registrar. It shall not be required that the same signatory of the Registrar sign the certificate of authentication on all the Bonds.

The Registrar shall authenticate any Bonds issued in exchange, substitution or replacement of other Bonds by executing the certificate of authentication appearing thereon, upon satisfaction of the conditions set forth in Section 2.09 hereof.

Section 2.09. REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF BONDS. (a) The Board shall keep or cause to be kept at the principal office for payment of the Registrar books or records of the registration and transfer of the Bonds, and the Board hereby appoints the Registrar as agent to keep such books or records and make such transfers and registrations under such reasonable

regulations as the Board and Registrar may prescribe. The Registrar shall make such transfers and registrations as provided herein.

The Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided. It shall be the duty, however, of each registered owner to notify the Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. The Board shall have the right to inspect the Registration Books during regular business hours of the Registrar, but otherwise the Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity.

(b) Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance thereof, may, upon surrender of such Bond at the principal corporate trust office of the Registrar, together with a written request therefor duly executed by the registered owner or its assignee, or its duly authorized attorney or representative, with guarantee of signatures satisfactory to the Registrar, at the option of the registered owner or such assignee, as appropriate, be converted into and exchanged for fully registered Bonds, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bond so surrendered, and payable to the appropriate registered owner or assignee, as the case may be.

Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee thereof, and (ii) the right of such assignee to have the Bond or any such portion thereof registered in the name of such assignee. A form of assignment shall be printed or endorsed on each Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon the assignment and surrender of any Bond or portion thereof for transfer of registration, an authorized representative of the Registrar shall make such transfer in the Registration Books, and shall deliver a new, fully registered substitute Bond having the characteristics herein described, payable to such assignee (which then will be the registered owner of such new Bond), or to the previous registered owner in case only a portion of a Bond is being

assigned and transferred, all in conversion of and exchange for said assigned Bond or any portion thereof.

Bonds issued and delivered in conversion of and exchange for any other Bonds assigned and transferred or converted shall be in any Authorized Denomination requested in writing by the registered owner or assignee thereof, shall have all the characteristics and shall be in the form prescribed in the FORM OF BOND set forth in this Resolution, shall be in the same outstanding aggregate principal amount and shall have the same principal maturity date and bear interest at the same rate as the Bonds for which they are exchanged. The Board shall pay the Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registrar shall not be required to make any transfer of registration, conversion and exchange, or replacement (i) of any Bond or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(c) If a portion of any Bond shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any Authorized Denomination requested by the registered owner, and in aggregate principal amount equal to the unredeemed portion thereof, will be issued to the registered owner upon surrender thereof for cancellation, at the expense of the Board.

(d) In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Registrar shall cause to be printed, executed, and delivered a new Bond of the same principal amount, maturity, and interest rate as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Board and to the Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the applicant shall furnish to the Board and to the Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond, as the case may be. In every case of damage or

mutilation of a Bond, the applicant shall surrender to the Registrar for cancellation the Bond so damaged or mutilated.

Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the Board may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this subsection.

Prior to the issuance of any replacement bond, the Registrar shall charge the owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the Board whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Resolution equally and proportionately with any and all other Bonds duly issued under this Resolution.

(e) The Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the Board or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof. For purposes of Section 6 of article 717k-6, Texas Revised Civil Statutes Annotated, as amended, this Section of this Resolution shall constitute authority for the issuance of any substitute, exchange or replacement Bond hereunder without necessity of further action by the Board or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect provided in this Resolution. Upon the execution of the Paying Agent/Registrar's Authentication Certificate appearing on any converted and exchanged or replaced Bond, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the initial Bonds originally issued pursuant to this Resolution, approved by the Attorney General.

Section 2.10. BOOK-ENTRY ONLY SYSTEM. As provided in Section 7.04 of this Resolution, the Initial Bonds shall be delivered against payment to the purchaser thereof. Said purchaser shall be required to promptly surrender the Initial Bonds to the Registrar for exchange. Bonds issued in exchange shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of the Bonds, and held in the custody of DTC. Unless otherwise requested by DTC, a single certificate will be issued and delivered to DTC for each maturity of the Bonds. Beneficial owners of Bonds will not receive physical delivery of Bond certificates except as provided hereinafter. For so long as DTC shall continue to serve as securities depository for the Bonds as provided herein, all transfers of beneficial ownership interests will be made by book-entry only, and no investor or other party purchasing, selling or otherwise transferring beneficial ownership of Bonds is to receive, hold or deliver any Bond certificate.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the Board and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for the Bonds (which determination shall become effective no less than 90 days after written notice to such effect to the Board and the Paying Agent/Registrar); or (ii) the Board has advised DTC of its determination (which determination is conclusive as to DTC and beneficial owners of the Bonds) that DTC is incapable of discharging its duties as securities depository for the Bonds; or (iii) the Board has determined (which determination is conclusive as to DTC and the beneficial owners of the Bonds) that the interests of the beneficial owners of the Bonds might be adversely affected if such book-entry only system of transfer is continued. Upon occurrence of any of the foregoing events, the Board shall use its best efforts to attempt to locate another qualified securities depository. If the Board fails to locate another qualified securities

depository to replace DTC, the Board shall cause to be authenticated and delivered replacement Bonds, in certificate form, to the beneficial owners of the Bonds. In the event that the Board makes the determination noted in (ii) or (iii) above (provided that the Board undertakes no obligation to make any investigation to determine the occurrence of any events that would permit the Board to make any such determination), and has made provisions to notify the beneficial owners of Bonds of such determination by mailing an appropriate notice to DTC, it shall cause to be issued replacement Bonds in certificate form to beneficial owners of the Bonds as shown on the records of DTC provided to the Board.

Whenever, during the term of the Bonds, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

If at any time, DTC ceases to hold the Bonds, all references herein to DTC shall be of no further force or effect.

Section 2.11. CANCELLATION. All Bonds paid or redeemed in accordance with this Resolution, and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Resolution shall be cancelled and destroyed by the Paying Agent/Registrar.

Section 2.12. TEMPORARY BONDS. Pending the preparation of definitive Bonds, the Board may execute and, upon the Board's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, without coupons, with provision for registration and with such appropriate insertions, omissions, substitutions and other variations as the authorized officers of the Board executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

Until exchanged for Bonds in definitive form, such Bonds in temporary form shall be entitled to the benefit and security of this Resolution. The Board, without unreasonable delay, shall prepare, execute and deliver to the Paying Agent/Registrar, and thereupon, upon the presentation and surrender of the Bonds in temporary form to the Paying Agent/Registrar, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor Bonds of the same maturity and interest rate, in definitive form, in Authorized Denominations, and in the same aggregate principal amount, as the Bonds in temporary form surrendered. Such exchange

shall be made without the making of any charge therefor to any holder of Bonds.

Section 2.13. OWNERSHIP OF BONDS. The entity in whose name any Bond shall be registered in the Registration Books at any time shall be deemed and treated as the absolute owner thereof for all purposes of this Resolution, whether or not such Bond shall be overdue, and the Board, the Paying Agent/Registrar shall not be affected by any notice to the contrary. Payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sums so paid.

Section 2.14. PAYING AGENT AND REGISTRAR; PAYING AGENT AGREEMENT. The appointment of Ameritrust Texas National Association, with its principal office for payment in Dallas, Texas, as Paying Agent for the purpose of making the payments of principal of and interest on the Bonds, and as Registrar to keep the Registration Books and make transfers, exchanges and replacements of Bonds hereunder on behalf of the Board, is confirmed and ratified hereby. Pursuant to Article 717k-6, Texas Revised Civil Statutes Annotated, as amended, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as set forth in Section 2.09 hereof hereby is imposed upon the Registrar. The Paying Agent/Registrar shall perform such duties as are required of the Paying Agent and Registrar hereunder and under the Paying Agent Agreement. The Authorized Representative is hereby authorized to approve, execute and deliver for and on behalf of the Board the Paying Agent Agreement to reflect the appointment, responsibilities and compensation of the Paying Agent/Registrar, such approval to be conclusively evidenced by the Authorized Representative's execution thereof.

The Board hereby covenants with the registered owners of the Bonds that it will (i) pay the fees and charges, if any, of the Paying Agent/Registrar for its services with respect to the payment of the principal of, premium, if any, and interest on the Bonds, when due, and (ii) pay the fees and charges, if any, of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds, but solely to the extent provided in this Resolution.

Section 2.15. SUBSTITUTE PAYING AGENT/REGISTRAR. The Board covenants with the registered owners of the Bonds that, at all times while the Bonds are outstanding, the Board will provide a competent and legally qualified bank, trust company, financial institution, or other agency to act as and perform the services of

Paying Agent and Registrar for the Bonds under this Resolution, and that the Paying Agent and Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that it will promptly appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Resolution. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the Board. Upon any change in the Paying Agent/Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 2.16. INITIAL BONDS; APPROVAL BY ATTORNEY GENERAL; REGISTRATION BY COMPTROLLER. There shall be one Initial Bond for each maturity, numbered consecutively in the order of their maturity. Each Initial Bond shall be registered in the name, or at the direction, of the purchaser thereof determined at the public sale held pursuant to Section 7.04 of this Resolution. The Initial Bonds shall be submitted to the Attorney General of the State of Texas for approval and shall be registered by the Comptroller of Public Accounts of the State of Texas.

ARTICLE III

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS; ADDITIONAL PARITY BONDS AND NOTES

Section 3.01. SECURITY AND PLEDGE. Pursuant to the provisions of section 18 of article VII of the Texas Constitution, as amended, all the Bonds, and any Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured, together with the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds, by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

Section 3.02. PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund." The Board and the officers of the System shall cause the Comptroller of Public Accounts of the State of Texas, in addition to taking the actions required by the Series 1985 Resolution to pay the Series 1985 Bonds, by the Series 1988 Resolution to pay the Series 1988 Bonds, by the Series 1991 Resolution to pay the Series 1991 Bonds and by the Series 1992A Resolution to pay the Series 1992A Bonds, (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of the System in the Available University Fund), on or before each date upon which principal of, premium, if any, or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent/Registrar on or before each such date, the amounts of interest or principal, premium and interest which will come due on the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent/Registrar on or before each such date.

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution or the Series 1985 Resolution or the Series 1988 Resolution or the Series 1991 Resolution or the Series 1992A Resolution, substantially the same procedures as provided above shall be followed in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment (paying agents) and Paying Agents and Registrars and dates and methods of payment and other procedures not in conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 3.03. DISPOSITION OF FUNDS. After provision has been made for the payment of the principal of and interest on the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992A Bonds, the Bonds and any Additional Parity Bonds and Notes, when issued, the balance of the Interest of the System in the Available University Fund each year shall be made available to

the Board in the manner provided by law and by regulations of the Board to be used by the Board as it lawfully may direct.

Section 3.04. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional bonds and notes on a parity with the Bonds, the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds in as many separate installments or series as deemed advisable by the Board, but only for the purposes and to the extent provided in article VII, section 18 of the Texas Constitution, as amended, or in any amendment hereafter made to said article VII, section 18 of the Texas Constitution, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds, the Series 1992A Bonds and the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity with each other and with the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds. It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Authorized Representative, or some other officer of the 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 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 Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of said proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) all Bonds and Additional Parity Bonds and Notes and (ii) all other obligations of the Board, including but not limited to the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes 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 Parity Bonds or Notes is issued.

For purposes of calculating the Principal and Interest Requirements under this section with respect to any obligations of the Board bearing interest at interest rates that are variable or adjustable, the "maximum rate then permitted by law," for purposes of the definition of "Principal and Interest Requirements" set forth in Section 1.01 hereof, shall be deemed to be the maximum "net effective interest rate" permitted under article 717k-2, Texas Revised Civil Statutes Annotated, as such article may be amended from time to time, or such other maximum interest rate permitted to be borne by such obligations by then-applicable law. In addition, for purposes of this Resolution, including but not limited to subsection 3.04(b) above, any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund.

ARTICLE IV

REMEDIES

Section 4.01. REMEDIES. Any owner or holder of any of the Bonds or Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

ARTICLE V

GENERAL COVENANTS OF THE BOARD

Section 5.01. GENERAL COVENANTS OF THE BOARD. The Board covenants and agrees, in addition to the other covenants of the Board hereunder, as follows:

(a) That while any PUF Bonds are outstanding and unpaid the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;

(b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;

(c) That the Board duly and punctually will pay or cause to be paid the principal of every PUF Bond, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all PUF Bonds, when issued, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it faithfully will do and perform and at all times will observe fully all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations;

(d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from the Interest of the System in the Available University Fund is specifically reserved by the Board; and 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 the Board will, subject to the provisions hereof, continuously preserve the Permanent University Fund and each and every part thereof; and

(e) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices, and that as soon after the close of each fiscal year (September 1 to August 31, inclusive) as reasonably may be done the Board will furnish to all bondholders and owners who may so request, such audits and reports by the State Auditor of Texas for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor of Texas is required by applicable law to prepare and distribute, and the unaudited financial statements of the System and the annual report on investments in the Permanent University Fund.

ARTICLE VI

PROVISIONS CONCERNING
FEDERAL INCOME TAX EXCLUSION

Section 6.01. GENERAL TAX COVENANT. The Board intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Code, and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees to comply with each requirement of this Article VI; provided, however, that the Board shall not be required to comply with any particular requirement of this Article VI if the Board has received a Counsel's Opinion that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article VI will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article VI.

Section 6.02. USE OF PROCEEDS. The Board covenants and agrees that its use of the Net Proceeds of the Bonds and the Refunded Notes will at all times satisfy the requirements set forth in this Section. When used in this Article VI, the term Net Proceeds, when used with respect to the Bonds and the Refunded Notes, shall mean the proceeds from the sale of the portion of the Bonds issued to pay Project Costs and the proceeds from the sale of the Refunded Notes, as the case may be, including, in each case, investment earnings on such proceeds, less accrued interest with respect to such issue.

(a) The Board has limited and will limit the amount of original or investment proceeds of the portion of the Bonds issued to pay Project Costs and of the Refunded Notes to be used (other than use as a member of the general public) in the trade or business of any person other than a governmental unit to an amount aggregating no more than ten percent of the Net Proceeds of the Bonds and of the Refunded Notes ("private-use proceeds"). For purposes of this Section, the term "person" includes any individual, corporation, partnership, unincorporated association, or any other entity capable of carrying on a trade or business; and the term "trade or business" means, with respect to any natural person, any activity regularly carried on for profit and, with

respect to persons other than natural persons, any activity other than an activity carried on by a governmental unit. Any use of proceeds of the portion of the Bonds issued to pay Project Costs or of the Refunded Notes in any manner contrary to the guidelines set forth in Revenue Procedures 82-14, 1982-1 C.B. 459, and 82-15, 1982-1 C.B. 460, including any revisions or amendments thereto, shall constitute the use of such proceeds in the trade or business of one who is not a governmental unit.

(b) The Board has not permitted and will not permit more than five percent of the Net Proceeds of the Bonds or the Refunded Notes to be used in the trade or business of any person other than a governmental unit if such use is unrelated to the governmental purpose of the Bonds or the Refunded Notes, as appropriate. Further, the amount of private-use proceeds of the portion of the Bonds issued to pay Project Costs or of the Refunded Notes, in excess of five percent of the Net Proceeds of the Bonds or the Refunded Notes, ("excess private-use proceeds"), did not and will not exceed the proceeds of the portion of the Bonds issued to pay Project Costs or of the Refunded Notes, as appropriate, expended for the governmental purpose of the Bonds or the Refunded Notes to which such excess private-use proceeds relate.

(c) The Board has not permitted and will not permit an amount of proceeds of the portion of the Bonds issued to pay Project Costs or of the Refunded Notes exceeding the lesser of (i) \$5,000,000 or (ii) five percent of the Net Proceeds of the Bonds or the Refunded Notes, as appropriate, to be used, directly or indirectly, to finance loans to persons other than governmental units.

Section 6.03. NO FEDERAL GUARANTY. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and applicable regulations thereunder, except as permitted by section 149(b)(3) of the Code and such regulations.

Section 6.04. BONDS ARE NOT HEDGE BONDS. The Board covenants and agrees that not more than 50 percent of the proceeds of the portion of the Bonds issued to pay Project Costs will be invested in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Board reasonably expects that at least 85 percent of the spendable proceeds of the portion of the Bonds issued to Pay Project Costs will be used to carry out the governmental purposes of the Bonds within the three-year period beginning on the date the Bonds are issued. Furthermore, the Board represents that not more than 50 percent of the proceeds of the Refunded Notes was invested

in nonpurpose investments (as defined in section 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or more within the meaning of section 149(g)(3)(A)(ii) of the Code, and the Board reasonably expected at the time the Refunded Notes were issued that at least 85 percent of the spendable proceeds of such issue would be used to carry out the governmental purposes of such issues within the corresponding three-year period beginning on the respective dates of issue such Refunded Notes.

Section 6.05. NO-ARBITRAGE COVENANT. The Board shall certify, through the Authorized Representative that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Board will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder. Moreover, the Board covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from proceeds of the Bonds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and applicable regulations thereunder.

Section 6.06. ARBITRAGE REBATE. The Board will take all necessary steps to comply with the requirement that certain amounts earned by the Board on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code) be rebated to the federal government. Specifically, the Board will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the Board allocable to other bond issues of the Board or moneys that do not represent gross proceeds of any bonds of the Board, (ii) calculate at such times as are required by applicable regulations, the amount earned from the investment of the gross proceeds of the Bonds that is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary of the date of delivery of the Bonds, all amounts required to be rebated to the federal government. Further, the Board will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 6.07. INFORMATION REPORTING. The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and applicable regulations thereunder.

ARTICLE VII

MISCELLANEOUS PROVISIONS

Section 7.01. INDIVIDUALS NOT LIABLE. All covenants, stipulations, obligations, and agreements of the Board contained in this Resolution shall be deemed to be covenants, stipulations, obligations, and agreements of the System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 7.02. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the

Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 3.04 hereof or any other purpose.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 7.03. AMENDMENT OF RESOLUTION. (a) The owners of PUF Bonds aggregating 51% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

- (1) Make any change in the maturity of the outstanding PUF Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding PUF Bonds;
- (3) Reduce the amount of the principal payable on the outstanding PUF Bonds;
- (4) Modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all of the PUF Bonds then outstanding; or

(6) Change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

(b) If at any time the Board shall desire to amend a resolution under this Section, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each paying agent/registrar for the PUF Bonds for inspection by all owners of PUF Bonds. Such publication is not required, however, if notice in writing is given to each owner of PUF Bonds.

(c) Whenever at any time not less than thirty days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all PUF Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

(d) Upon the adoption of any amendatory resolution pursuant to the provisions of this Section, the resolution being amended shall be deemed to be amended in accordance with the amendatory resolution, and the respective rights, duties, and obligations of the Board and all the owners of then outstanding PUF Bonds and all future PUF Bonds thereafter shall be determined, exercised, and enforced hereunder, subject in all respects to such amendment.

(e) Any consent given by the owner of a PUF Bond pursuant to the provision of this Section shall be irrevocable for a period of six months from the date of the first publication or other service of the notice provided for in this Section, and shall be conclusive and binding upon all future owners of the same PUF Bond during such period. Such consent may be revoked at any time after six months from the date of the first publication of such notice by the owner who gave such consent, or by a successor in title, by filing notice thereof with the Paying Agent/Registrar for such PUF Bonds and the Board, but such revocation shall not be effective if the owners of 51% in aggregate principal amount of the then-outstanding PUF Bonds as in this Section defined have, prior to the attempted revocation, consented to and approved the amendment.

(f) For the purpose of this Section the ownership and other matters relating to all PUF Bonds shall be determined from the

registration books kept for such bonds by the respective paying agent/registrar therefor.

Section 7.04. ISSUANCE AND SALE OF BONDS. (a) The Authorized Representative is hereby authorized to act for and on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Authorized Representative, acting for and on behalf of the Board, shall determine the date for issuance and sale of the Bonds and the amount of Bonds to be issued and sold.

(b) The Bonds shall be sold by competitive bid at public sale. Prior to the date of public sale, the Authorized Representative, acting for and on behalf of the Board, shall cause (i) an appropriate notice of sale, in a form approved by the Authorized Representative, to be published at least one time in a financial publication, journal or report of general circulation among securities dealers in the City of New York (including, but not limited to, The Bond Buyer or The Wall Street Journal), or in the State of Texas (including, but not limited to, The Texas Bond Reporter), and (ii) a preliminary official statement, along with a notice of sale and bidding instructions and an official bid form, to be provided to each bidder, such documents to be in substantially the forms attached to this Resolution, which forms are hereby approved, but with such changes and completions as the Authorized Representative may approve, including such changes and completions to the preliminary official statement as the Authorized Representative may deem necessary or appropriate to enable the Authorized Representative, acting for and on behalf of the Board, to deem the preliminary official statement to be final as of its date, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"). Each bidder shall be allowed to name the price for the Bonds, the principal amortization schedule for the Bonds and the rate or rates of interest to be borne by the Bonds; provided, that, (i) the price named for the Bonds must be no less than 98 percent of the par amount thereof (plus accrued interest from the date of the Bonds to the date of delivery thereof against payment therefor), (ii) the principal amortization schedule named for the Bonds must include scheduled maturities or mandatory sinking fund redemption requirements on each of the maturity dates specified in Section 2.03 of this Resolution, (iii) the interest rate or rates named for the Bonds must comply with Section 2.03, and (iv) the principal amortization schedule and interest rate or rates so named must produce substantially level debt service on the Bonds during the Bond Years ending on July 1 of the years 1994 through 2013, both inclusive, such that the highest total debt service on the Bonds during any such Bond Year does not exceed the lowest total debt service on the Bonds during any such Bond Year by more than \$10,000. The Authorized Representative, acting for and on behalf of the Board, shall, subject to the right to reject any or all bids

and to waive any irregularities, award the sale of the Bonds to the bidder whose bid produces the lowest true interest cost to the Board, such interest cost being the rate obtained by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the principal and interest payments on the Bonds from the dates of payment thereof to the dated date of the Bonds and to the price bid. The price bid for the purpose of the preceding sentence shall not include the amount of interest accrued on the Bonds from their date to the date of delivery thereof against payment therefor. Within seven business days after the award of the sale of the Bonds, the Authorized Representative, acting for and on behalf of the Board, shall cause a final official statement to be provided to the successful bidder in compliance with Rule 15c2-12.

(c) Following the award of the sale of the Bonds, the Authorized Representative shall notify the Paying Agent/Registrar in writing of the identity of the purchaser of the Bonds and of the following terms for the Bonds: dated date; principal amount; date for issue; maturities; mandatory sinking fund redemption provisions; rate or rates of interest; and first interest payment date. The Authorized Representative shall deliver the Initial Bonds to the purchaser thereof against payment therefor. Incident to the delivery of the Bonds, the Authorized Representative shall execute:

(1) a certificate to the effect that for the fiscal year immediately preceding the date of said certificate the amount of the Interest of the System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements (calculated in the manner described in Section 3.04 of this Resolution) of the Bonds and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of the Bonds;

(2) a certificate to the effect that the total principal amount of (a) all Bonds and Additional Parity Bonds and Notes and (b) all other obligations of the Board, including but not limited to the Series 1985 Bonds, the Series 1988 Bonds, the Series 1991 Bonds and the Series 1992A Bonds, that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund, that will be outstanding after the issuance and delivery of the Bonds 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 Bonds are issued; provided that any obligation of the Board that is payable from amounts appropriated, pursuant to article VII, section 18 of the Texas Constitution, as amended, including any amendment hereafter made to said article VII, section 18 of the Texas Constitution, for the support and maintenance of The University of

Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund;

(3) a certificate to the effect that all action on the part of the Board necessary for the valid issuance of the Bonds issued has been taken, that such Bonds have been issued in compliance with the terms of this Resolution; and

(4) a certificate to the effect that the Board is in compliance with the covenants set forth in Articles V and VI of this Resolution as of the date of such certificate.

Section 7.05. REFUNDING OF REFUNDED NOTES. Concurrently with the issuance delivery of the Bonds to the successful bidder against payment therefor, there shall be deposited with Morgan Guaranty Trust Company of New York, New York, New York, as paying agent and place of payment for the Refunded Notes, an amount from the sale of the Bonds, together with other lawfully available funds of the Board, sufficient to pay in full the principal of and interest accruing on the Refunded Notes to the date of their redemption, which shall be no later than the scheduled interest payment date next succeeding the issuance and delivery of the Bonds to the successful bidder, in accordance with section 7A of Article 717k, Texas Revised Civil Statutes Annotated, as amended. The Authorized Representative, acting for and on behalf of the Board, shall sign, seal and otherwise execute and deliver such notices, instructions, certificate, instruments and other documents as may be necessary or convenient to accomplish the refunding of the Refunded Notes as set forth herein and in accordance with their terms. It is hereby found and determined that the refunding of the Refunded Notes is advisable and necessary in order to restructure the debt service requirements of the Board so as to fix the borrowing cost of the Board for financing the facilities financed through the issuance of the Refunded Notes for the long term at favorable rates.

Section 7.06. CONSTRUCTION ACCOUNT. (a) There is hereby established a separate account designated as the "Board of Regents of the University of Texas System Permanent University Fund Bond Construction Account" (the "Construction Account"). The Construction Account shall be maintained by the Board in an official depository of the System. Money on deposit or to be deposited in the Construction Account shall remain therein until from time to time expended for Project Costs, and shall not be used for any other purposes whatsoever, except as otherwise provided below. Pending the expenditure of money in the Construction Account, monies deposited therein or credited thereto may be invested in Authorized Investments. Any income received from investments in the Construction Account shall be retained in the

Construction Account. Any amounts remaining in the Construction Account and not anticipated to be needed for the payment of Project Costs shall be transferred to the Interest and Sinking Fund.

(b) Concurrently with the issuance and delivery of the Bonds to the successful bidder against payment therefor, the balance of the proceeds of sale of the Bonds (other than accrued interest which shall be deposited into the Interest and Sinking Fund), remaining after the deposit required by Section 7.05 of this Resolution, shall be deposited into the Construction Account and used for the purposes set forth above.

Section 7.07. DTC LETTER OF REPRESENTATION. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized and directed to approve, execute and deliver a Letter of Representation with DTC with respect to the Bonds to implement the book-entry only system of Bond registration, such approval to be conclusively evidenced by the Authorized Representative's execution thereof.

Section 7.08. FURTHER PROCEDURES. The Chairman of the Board, the Executive Secretary of the Board, the Authorized Representative, the Vice Chancellor and General Counsel of the System, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions of this Resolution, the Bonds, the preliminary official statement, the official statement, the official notice of sale and the official bid form for the Bonds, the Paying Agent Agreement and the DTC Letter of Representation. In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

ADOPTED AND APPROVED this the ____ day of _____, 1992.

Chairman
Board of Regents of
The University of Texas System

Attest:

Executive Secretary
Board of Regents of
The University of Texas System

[SEAL]

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OFFICIAL STATEMENT

DATED MARCH __, 1992

NEW ISSUE: Book-Entry Only

RATINGS: See "Ratings."

In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds. See "Tax Exemption" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

\$80,000,000
Board of Regents of
The University of Texas System
Permanent University Fund Bonds
Series 1992B

Dated: March 1, 1992

Due: July 1, as shown herein

The Bonds will constitute valid and legally binding special obligations of the Board of Regents (the "Board") of The University of Texas System (the "System"), secured by and payable from a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as defined herein) on a parity with the Board's outstanding Permanent University Fund Refunding Bonds, Series 1985, Series 1988, Series 1991 and Series 1992A. THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE BOARD, THE SYSTEM, THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE BOARD HAS NO TAXING POWER, AND NEITHER THE CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. See "Security for the Bonds."

Proceeds from the sale of the Bonds, together with other available moneys of the Board, will be used for the purpose of refunding certain outstanding obligations of the Board and for the purpose of providing funds for improvements at various institutions within the System. See "Plan of Financing."

The Bonds will mature on July 1 in each of the years and in the amounts and will bear interest at the per annum rates shown on the inside of this cover page. The Bonds will bear interest from their date and will be payable January 1 and July 1 of each year, commencing July 1, 1992, until maturity or prior redemption.

The Bonds are initially issuable only to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Interest on and principal of the Bonds will be payable by Ameritrust Texas National Association, the initial Paying Agent/Registrar, to Cede & Co., as nominee for DTC, which will make distribution of the amounts so paid to DTC Participants (as defined herein) who will make payments to the beneficial owners of the Bonds. See "Description of the Bonds -- Book-Entry Only System."

The Bonds are subject to redemption prior to maturity as described herein. See "Description of the Bonds -- Redemption."

The maturity schedule for the Bonds shall be determined by the terms of the bid of the winning bidder, as described in the Notice of Sale and Bidding Instructions.

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and by Vinson & Elkins L.L.P., Austin and Houston, Texas, Bond Counsel. Certain legal matters will be passed on for the System by McCall, Parkhurst & Horton, Austin and Dallas, Texas, and by Lannen & Moyé, P.C., Dallas, Texas.

It is expected that the Bonds will be tendered for deliver to the initial purchaser(s) through The Depository Trust Company.

Delivery: Anticipated on or about April 27, 1992

Sealed bids will be opened at 12:00 Noon, CST, _____, April __, 1992.

**Board of Regents of The University of Texas System
As of _____, 1992**

OFFICERS

Louis A. Beecherl, Jr., Chairman,
Mario E. Ramirez, Vice-Chairman
Robert J. Cruikshank, Vice-Chairman
Arthur H. Dilly, Executive Secretary

MEMBERS

Terms Expire February 1, 1993

Sam Barshop	.	.	.	San Antonio
Louis A. Beecherl, Jr.	.	.	.	Dallas
W.A. "Tex" Moncrief, Jr.	.	.	.	Fort Worth

Terms Expire February 1, 1995

Robert J. Cruikshank	.	.	.	Houston
Tom Loeffler	.	.	.	San Antonio
Mario E. Ramirez	.	.	.	Roma

Terms Expire February 1, 1997

Zan Wesley Holmes, Jr.	.	.	.	Dallas
Bernard Rapoport	.	.	.	Waco
Ellen Clarke Temple	.	.	.	Lufkin

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. Thomas G. Ricks	.....	Acting Executive Vice Chancellor for Asset Management
Mr. Henry M. Davis	.....	Executive Director of Investments
Ms. Brenda F. Meglasson	.....	Executive Director, Endowment Management and Administration
Mr. Thomas G. Ricks	.....	Executive Director-Finance and Private Investments
Mr. James Wilson	.....	Executive Director-Endowment Real Estate
Mr. John A. Roan	.....	Manager-Finance
Mr. Mike Milsap	.....	Vice Chancellor for Governmental Relations
Mr. Ray Farabee	.....	Vice Chancellor and General Counsel
Mr. Jack Boyd	.....	Executive and Research Assistant to the Chancellor
Mr. R. Dan Burck	.....	Vice Chancellor for Business Affairs
Mr. Kerry L. Kennedy	.....	Director-Office of Budget and Fiscal Policy
Ms. Mary A. Guyon	.....	Budget Director
Mr. Ralph Kristoferson	.....	Director-Facilities Planning and Construction
Mr. James C. Werchan	.....	Director-Accounting
Mr. Charles G. Chaffin	.....	Director of Audits

Investment Advisory Committees

	<u>Term Expiration</u>		<u>Term Expiration</u>
Mr. J. Luther King, Jr., Fort Worth	1994	Mr. Michael J. Roth, San Antonio	1993
Mr. L. Lowry Mays, San Antonio	1993	Mr. John T. Stuart, III, Dallas	1992
Mr. Edward Randall, III, Houston	1992		

Bond Counsel

Vinson & Elkins, L.L.P.
Austin and Houston, Texas

*Component Institutions of
The University of Texas System*



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General Academic Institutions

The University of Texas at Arlington

School of Architecture
College of Business Administration
College of Engineering
College of Liberal Arts
School of Nursing
College of Science
Graduate School of Social Work
Graduate School
Institute of Urban Studies

The University of Texas at Austin

School of Architecture
College of Liberal Arts
College of Engineering
College of Natural Sciences
College of Business Administration
LBJ School of Public Affairs
College of Communications
College of Education
College of Fine Arts
School of Law
Graduate School of Library and Information Science
School of Nursing
College of Pharmacy
School of Social Work
Graduate School
Marine Science Institute (Port Aransas)
McDonald Observatory at Mount Locke (Fort Davis)

The University of Texas at Brownsville

College of Liberal Arts
College of Science and Mathematics
School of Business and Industry
School of Education
School of Health Sciences

The University of Texas at Dallas

Callier Center for Communication Disorders
School of Arts and Humanities
Eric Jonsson School of Engineering and Computer Science
School of General Studies
School of Human Development
School of Management
School of Natural Sciences and Mathematics
School of Social Sciences

The University of Texas at El Paso

College of Business Administration
College of Education

College of Engineering
College of Liberal Arts
College of Nursing and Allied Health
College of Science
Graduate School

The University of Texas—Pan American

College of Arts and Sciences
School of Business Administration
School of Education
Division of Health Related Professions

The University of Texas of the Permian Basin

Division of Behavioral Science and Physical Education
Division of Business
Division of Education
Division of Humanities and Fine Arts
Division of Science and Engineering

The University of Texas at San Antonio

College of Business
College of Fine Arts and Humanities
College of Social and Behavioral Science
College of Sciences and Engineering
Institute of Texas Cultures

The University of Texas at Tyler

School of Business Administration
School of Education and Psychology
School of Liberal Arts
School of Sciences and Mathematics

Health Institutions

The University of Texas Southwestern Medical Center at Dallas

Southwestern Medical School
Southwestern Graduate School of Biomedical Sciences
School of Allied Health Sciences

The University of Texas Medical Branch at Galveston

Medical School
Graduate School of Biomedical Sciences
Marine Biomedical Institute
School of Allied Health Sciences
Institute for the Medical Humanities
The University of Texas Hospitals
School of Nursing

The University of Texas Health Science Center at Houston

Medical School
Dental School
Graduate School of Biomedical Sciences
School of Allied Health Sciences
School of Public Health
Speech and Hearing Institute
School of Nursing

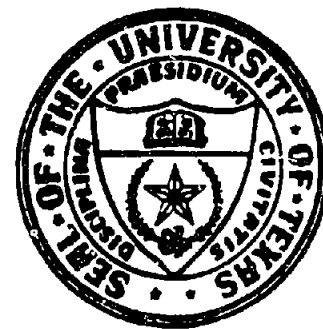
The University of Texas Health Science Center at San Antonio

Medical School
Dental School
Graduate School of Biomedical Sciences
School of Allied Health Sciences
School of Nursing

The University of Texas M.D. Anderson Cancer Center (Houston)

M.D. Anderson Hospital
M.D. Anderson Tumor Institute
M.D. Anderson Science Park

The University of Texas Health Center at Tyler



USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information by the Board to give any information, or to make any representations other than those contained in the Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Board, the System, the Permanent University Fund or other matters described herein since the date hereof.

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OFFICIAL STATEMENT

relating to

§ _____

Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1992B

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents (the "Board") of The University of Texas System of its bonds, entitled "Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1992B" (the "Bonds"). Capitalized terms used in this Official Statement and not otherwise defined have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board on February 13, 1992 authorizing the issuance of the Bonds.

The University of Texas System (the "System") was established pursuant to the provisions of the Constitution and the laws of the State of Texas (the "State") as an agency of the State. The System presently consists of 15 State-supported general academic and health-related education and research institutions, including The University of Texas at Austin. The Board is the governing body of the System and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. For a general description of the System and each of its component institutions see Appendix A, Description of The University of Texas System.

This Official Statement contains summaries and descriptions of the plan of financing, the Resolution, the Bonds, the Board, the System and other related matters. All references to and descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Board. In addition, as described herein under the caption "Permanent University Fund -- Financial Information," certain financial information regarding the State, the System and the Permanent University Fund is available from the Board upon request.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds will be issued under the authority of Article VII, Section 18 of the Texas Constitution, Section 65.46, Texas Education Code, and Articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended, and pursuant to the terms of the Resolution and the action of the authorized representative of the Board awarding the sale of the Bonds and establishing their final terms.

Purposes

The Bonds are being issued for the purpose of currently refunding the Board's Permanent University Fund Variable Rate Notes, Series A, in the principal amount of \$16,000,000 (the "Refunded Notes") and funding the costs of improvements at various institutions within the System. The issuance of the Bonds will permit the Board to restructure its debt service requirements with respect to the Refunded Notes through the establishment of long-term fixed rates for the Board's permanent financing of certain facilities initially financed through the issuance of such Refunded Notes.

Parity Bonds

The Bonds will be issued on a parity with the Board's previously issued and outstanding Permanent University Fund Refunding Bonds, Series 1985, Series 1988, Series 1991 and Series 1992A (the "Outstanding PUF Bonds"), currently outstanding in the aggregate principal amount of \$_____. The Outstanding PUF Bonds, the Bonds, and all additional bonds and notes issued on a parity therewith ("Additional Parity Bonds and Notes") are referred to collectively herein as the "PUF Bonds". The anticipated debt service requirements for the Bonds combined with the debt service requirements for the Outstanding PUF Bonds are set forth in Appendix C.

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds, without coupons, in any integral multiple of \$5,000 principal amount within a stated maturity, will be dated April 1, 1992, and will accrue interest from their dated date. The Bonds will bear interest at the per annum rates shown on a supplement to this Official Statement. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing July 1, 1992. Interest on the Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds mature on July 1 in the years and in the principal amounts set forth in the maturity schedule contained on the said supplement.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., the nominee of The Depository Trust Company ("DTC"), will be the registered owner and references herein to the Bondholders, holders, holders of the Bonds or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. See "Description of the Bonds--Book-Entry Only System."

In the event that any date for payment of the principal of or interest on the Bonds is a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close. Payment on such later date will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

Redemption

Optional Redemption. Bonds scheduled to mature on and after July 1, 2003 are subject to redemption prior to maturity at the option of the Board on July 1, 2002 or on any interest payment date thereafter, in whole or in part, in any integral multiple of \$5,000 (and, if in part, the particular Bonds or portions thereof to be redeemed shall be selected by the Board) at the redemption price of par, without premium, plus accrued interest to the redemption date; provided that during any period in which ownership of the Bonds is determined by a book entry at a securities depository for such Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

Mandatory Redemption.* The Bonds maturing on July 1, ___ are subject to mandatory sinking fund redemption prior to their scheduled maturity/maturities in the following amounts, on the following dates at a price of par, without premium, plus accrued interest to the date fixed for redemption:

<u>Redemption Date</u> <u>(July 1)</u>	<u>Principal</u> <u>Amount</u>
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The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Board, by the principal amount of any Bonds, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Board and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and canceled by the Paying Agent/Registrar at the direction of the Board, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption. During any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity and bearing such interest rate shall be selected in accordance with the arrangements between the Board and the securities depository.

Notice of Redemption. Not less than 30 days prior to a redemption date, a notice of redemption will be published once in a financial publication, journal or report of general circulation among securities dealers in the City of New York, New York, or in the State. Additional notice will be sent by the Paying Agent/Registrar by United States mail, first-class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date, to each registered securities depository and to any national information service that disseminates redemption notices. Failure to mail or receive such notice will not affect the proceedings for redemption and publication of notice of redemption in the manner set forth above shall be the only notice actually required as a prerequisite for redemption. In addition, in the event of a redemption caused by an advance refunding of the Bonds, the Paying Agent/Registrar shall send a second notice of redemption to registered owners of Bonds subject to redemption at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to registered securities depositories or national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Paying Agent/Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent his Bonds in for redemption 60 days after the redemption date.

All redemption notices shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the interest rates, the maturity dates, the CUSIP numbers, the certificate numbers, the amounts of each certificate called, the publication and mailing dates for the notices, the dates of redemption, the redemption prices, the name of the Paying Agent/Registrar and the address at which the Bonds may be redeemed including a contact person and telephone number.

Paying Agent/Registrar

The initial Paying Agent/Registrar is named on the cover page hereof. In the Resolution, the Board reserves the right to replace the Paying Agent/Registrar and covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding. The Board further covenants that the Paying Agent and Registrar will be one entity. Any successor Paying Agent/Registrar is required by the Resolution to be a competent and legally qualified bank, trust company, financial institution or other agency. Upon any change in the Paying Agent/Registrar, the Board is required promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

*The Bonds may be subject to mandatory sinking fund redemptions in lieu of or in tandem with serial maturities, if such option is made a part of the winning bid of the initial purchaser, all in accordance with the Notice of Sale and Bidding Instructions relating to the Bonds.

Book-Entry Only System

Book-Entry Only System. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds bonds that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to Cede & Co. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Board as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of the customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the Board, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Board and the Paying Agent/Registrar, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The Board may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, but the Board takes no responsibility for the accuracy thereof.

Termination of Book-Entry Only System. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the Board and the Paying Agent/Registrar and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is not a successor securities depository), certificated Bonds are required to be delivered as described in the Resolution.

If the Board determines that (a) DTC is incapable of discharging its responsibilities or (b) the interests of the Beneficial Owners of the Bonds might be adversely affected if the book-entry only system is continued, the Board shall appoint a successor securities depository or deliver certificated Bonds, each as described in the Resolution.

Effect of Termination of Book-Entry Only System. In the event that the Book-Entry Only System is terminated by DTC or the Board, the following provisions will be applicable to the Bonds.

(a) *Payments.* The principal and redemption price of all Bonds is payable to the registered owners thereof at maturity or on the date of earlier redemption and only upon presentation and surrender of such Bonds at the corporate trust office of the Paying Agent/Registrar. Interest on the Bonds will be paid by check mailed by the Paying Agent/Registrar to the registered owners thereof as shown in the bond registration books of the Paying Agent/Registrar as of the Record Date, which will be the 15th day of the month next preceding each interest payment date. Alternatively, upon the request and at the risk and expense of a registered owner, interest may be paid by another method acceptable to the Paying Agent/Registrar.

(b) *Transfer, Exchange and Registration.* Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, together with proper written instruments of assignment in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner except for any tax or other governmental charges required to be paid with respect thereto. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal office of the Paying Agent/Registrar. Any Bond issued in exchange or transfer for another Bond may be in any integral multiple of \$5,000 principal amount for any one maturity and shall have the same aggregate unpaid principal amount, interest rate and maturity date as the Bonds or Bonds surrendered for exchange or transfer. The Board and the Paying Agent/Registrar may treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes, whether such Bond is overdue or not, including for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond.

(c) *Limitation on Transfer.* Neither the Board nor the Paying Agent/Registrar shall be required to assign, transfer, or exchange (i) any Bond or any portion thereof during a period beginning at the close of business on any Record Date.

and ending at the opening of business on the next following principal or interest payment date or (ii) any Bond or any portion thereof that has been called for redemption within 45 days prior to the date fixed for redemption.

Amendment of Terms

The owners of PUF Bonds aggregating 51% of the aggregate principal amount of the then outstanding PUF Bonds have the right under the Resolution to approve any amendment to the Resolution or any other resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that the owners of all of the outstanding PUF Bonds must approve the amendment of the terms and conditions in the Resolution, such other resolutions or in any PUF Bond so as to (a) make any change in the maturity of the outstanding PUF Bonds; (b) reduce the rate of interest borne by any of the outstanding PUF Bonds; (c) reduce the amount of the principal payable on the outstanding PUF Bonds; (d) modify the terms of payment of principal of or interest on the outstanding PUF Bonds, or impose any conditions with respect to such payment; (e) affect the rights of the owners of less than all of the PUF Bonds then outstanding; or (f) change the minimum percentage of the principal amount of PUF Bonds necessary for consent to such amendment.

If at any time the Board shall desire to amend the Resolution or any such other resolution, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal published in the City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall set forth briefly the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each Paying Agent/Registrar for the PUF Bonds for inspection by all owners of PUF Bonds. Such publication is not required, however, if notice in writing is given to each owner of PUF Bonds.

Defeasance

The Resolution makes the following provisions for the defeasance of the Bonds.

(a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of the Resolution (a "Defeased Bond") except to the extent provided in (c) below, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment, or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding under the Resolution. See "Security for the Bonds."

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar also may be invested at the written direction of the Board in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board, or deposited as directed in writing by the Board.

(c) Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Board shall make proper arrangements to provide and pay for such services as required by the Resolution.

(d) For purposes of these provisions, Government Obligations means direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

SECURITY FOR THE BONDS

Pledge Under the Resolution.

PUF Bonds and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, as described below. Pursuant to the Resolution, the Board has reserved the right to issue Additional Parity Bonds and Notes on a parity with the Bonds and the Outstanding PUF Bonds. See "Security for the Bonds -- Additional Parity Bonds and Notes."

The Bonds do not constitute general obligations of the Board, the System, the State or any political subdivision of the State. The Board has no taxing power, and neither the credit nor the taxing power of the State or any political subdivision thereof is pledged as security for the Bonds.

Available University Fund

The Available University Fund is defined by the State Constitution to consist of all the dividend, interest and other income of the Permanent University Fund (less administrative expenses), including net income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such dividend, interest and income are received, the State Comptroller of Public Accounts credits the receipts to the Available University Fund, and the money is deposited in the State Treasury for the purpose of investment.

Two-thirds of the amounts attributable to the Available University Fund (less administrative expenses of the Permanent University Fund) are constitutionally appropriated to the System to be used for constitutionally prescribed purposes. This two-thirds share is referred to herein and in the Resolution as the "Interest of the System" in the "Available University Fund." Article VII, Section 18(f) of the State Constitution provides that after the payment of annual debt service of obligations payable from the Permanent University Fund, \$6,000,000 shall be appropriated annually for Prairie View A&M University for a period of ten years commencing November 1, 1984. 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.

Money credited to the Available University Fund is administered by the State Treasurer and, along with other funds of the State, is invested in accordance with State law. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the Interest of the System in the Available University Fund.

Income, Debt Service Requirements and Coverage

Table I below sets forth historical earnings of the Permanent University Fund that were deposited to the Available University Fund, together with the debt service requirements of the Outstanding PUF Bonds and the Subordinate Lien Notes and the coverage thereof. See "Security for the Bonds -- Subordinate Lien Notes and Residual Funds."

Table I
Historical Available University Fund (1)
(000's Omitted)

Fiscal Year Ending August 31	Available University Fund (after Administrative Expenses) (2)	Interest of the System in Available University Fund	Other Income(3)	Total Income Available to Pay Debt Service	Total Debt Service Payable from the Available University Fund(4)	Coverage(5)
1983	\$156,486	\$104,324	\$6,323	\$110,647	\$28,693	3.86x
1984	171,437	114,291	7,632	121,923	33,638	3.62x
1985	187,927	125,285	6,635	131,920	40,239	3.28x
1986	209,700	139,800	5,111	144,911	29,702	4.88x
1987	209,182	139,455	4,152	143,607	45,503	3.16x
1988	231,417	154,278	5,939	160,217	43,531	3.68x
1989	248,146	165,431	9,216	174,647	51,867	3.36x
1990	258,219	172,146	8,188	180,334	50,549	3.57x
1991	250,421	166,948	5,211	172,159	53,506	3.21x

- (1) The amounts stated in the years 1983 through 1986 are audited amounts. The 1987 through 1991 amounts are the unaudited amounts reflected on the books of the System.
- (2) The expenses of administering the Permanent University Fund constitute a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. The Resolution contains covenants restricting administrative expenses of the Permanent University Fund to a minimum consistent with prudent business judgment.
- (3) Through the fiscal year ending August 31, 1985, Other Income included the grazing and other income derived from the surface of the Permanent University Fund land (all of which was appropriated to the System), plus nondivisible interest income earned on the System's share of the Available University Fund balance on deposit with the State Treasury. The State Constitution requires that after August 31, 1985, surface income be allocated one-third to The Texas A&M University System and the remaining two-thirds to the System. Accordingly, for the fiscal years ending August 31, 1986 and thereafter, surface income is included in Available University Fund (after Administrative Expenses).
- (4) Includes Debt Service on the Board's Permanent University Fund Variable Rate Notes, Series A but does not include debt service payable from the Residual AUF. See "Security for the Bonds -- Subordinate Lien Notes and Residual Funds."
- (5) Represents Total Income Available to Pay Debt Service divided by Total Debt Service Payable from the Available University Fund.

Constitutional Debt Power, Debt Limitations

The discretion to direct the use of the Interest of the System in the Available University Fund, after administrative 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 administrative expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b) of the State Constitution (the "Constitutional Provision") authorizes the Board to issue bonds and notes, payable from all or any part of the Interest of the System 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 repair and rehabilitation of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under such Constitutional

Provision or prior law at or for System administration and the component institutions of the System. The pledge and security interest made and granted in the Resolution is accomplished pursuant to that Constitutional Provision.

The Constitutional Provision limits the aggregate amount of bonds and notes secured by the Interest of the System in 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 January 31, 1992, the unaudited cost value of the Permanent University Fund, exclusive of real estate, was \$3,564,742,397* and outstanding bonds and notes secured by the Interest of the System in the Available University Fund totaled \$551,465,000*. Accordingly, as of January 31, 1992, the Board was authorized to issue an additional \$161,483,479* of bonds or notes secured by the Interest of the System in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

Table II shows the constitutional debt limits of the Permanent University Fund for each year 1982 through 1991 and the amount of outstanding bonds and notes secured by the respective interests in the Available University Fund for each of such years for both the System and The Texas A&M University System.

Table II
Historical Availability and Outstanding Bonds and Notes

<u>Fiscal Year</u> <u>Ending August 31</u>	<u>Book Value</u> <u>of Fund</u>	<u>The System</u>		<u>Texas A&M</u> <u>University System</u>	
		<u>Constitutional</u> <u>Debt Limit</u>	<u>Outstanding</u>	<u>Constitutional</u> <u>Debt Limit</u>	<u>Outstanding</u>
1982	\$1,725,744,320	\$230,099,243	\$182,805,000	\$115,049,621	\$ 89,255,000
1983	1,902,619,274	253,682,570	221,955,000	126,841,284	105,565,000
1984	2,082,521,497	277,669,533	272,735,000	138,834,766	135,870,000
1985	2,316,874,704	463,374,941	309,065,000	231,687,470	162,345,000
1986	2,605,526,501	521,105,300	440,045,000	260,552,650	198,065,000
1987	2,919,540,498	583,908,100	427,420,000	291,954,050	220,690,000
1988	3,082,118,711	616,437,742	442,100,000	308,218,071	224,180,000
1989	3,294,392,325	658,878,465	477,205,000	329,439,232	248,050,000
1990	3,435,080,203	687,016,040	542,155,000	343,508,020	255,685,000
1991	3,526,480,946	705,296,189	551,465,000	352,648,095	308,300,000

Note: Prior to November 1984, the State Constitution limited the issuance of bonds and notes secured by an interest in the Available University Fund to a maximum of 20% of the book value of the Permanent University Fund (6.67% issued by The Texas A&M University System and 13.33% issued by the System). An amendment to the Constitution increased the maximum amount of such bonds and notes to 30% of the book value of the Permanent University Fund (10% issued by The Texas A&M University System and 20% issued by the System).

*As of December 31, 1991; to be revised prior to the distribution of this document to the public.

General Covenants

The resolutions authorizing the Outstanding PUF Bonds and the Resolution require the State Comptroller of Public Accounts to maintain in the State Treasury an Interest and Sinking Fund for the PUF Bonds. Such resolutions collectively require the Board and the officers of the System to cause the State Comptroller of Public Accounts, on or before the date on which principal or interest is due on the PUF Bonds, to transfer from the Interest and Sinking Fund to the Paying Agent/Registrar amounts sufficient to pay such principal and interest.

The Board additionally covenants and agrees:

- (a) that while any PUF Bonds are outstanding and unpaid, the Board will maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law;
- (b) that the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;
- (c) that the Board will duly and punctually pay or cause to be paid the principal of every PUF Bond, and the interest thereon, from the sources, on the days, at the places and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be redeemed prior to maturity all PUF Bonds, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it will faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in the Resolution and in the aforesaid obligations;
- (d) that, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from such Interest of the System in the Available University Fund is specifically reserved by the Board; and that the lien created by the 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 the Board will continuously preserve the Permanent University Fund and each and every part thereof; and
- (e) that proper books of records and accounts will be kept in which true, full and correct entries will be made of all income, expenses and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done, the Board shall furnish to all bondholders and owners who may so request such audits and reports by the State Auditor for the preceding fiscal year, concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor is required by applicable law to prepare and distribute.

General Tax Covenant

In the Resolution, the Board states its intention that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable regulations. The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in Section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the Board covenants and agrees in the Resolution to comply with each requirement of the Resolution relating to the treatment of interest on the Bonds for federal income tax purposes; provided, however, that the Board shall not be required to comply with any particular requirement if the Board has received an opinion of nationally

recognized bond counsel acceptable to the Board that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received an opinion of such counsel to the effect that compliance with some other requirement set forth in the Resolution will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such counsel's opinion shall constitute compliance with the corresponding requirement specified in the Resolution.

Additional Parity Bonds and Notes

The Board reserves the right, exercisable at any time and from time to time, to issue and deliver Additional Parity Bonds and Notes, in as many separate installments or series as deemed advisable by the Board, but only for constitutionally permitted (including refunding) purposes. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Bonds and the Outstanding PUF Bonds. It is further covenanted, however, that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management of the System or some other officer of the 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 System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements (as defined below) of the installment or series of Additional Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of such proposed installment or series; and

(b) a certificate to the effect that the total principal amount of (i) all PUF Bonds and (ii) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the installment or series of Additional Parity Bonds or Notes 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 Parity Bonds or Notes is issued.

For purposes of the calculation required by (a) above and for other purposes of the Resolution, "Principal and Interest Requirements" means, with respect to any fiscal year of the System, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such fiscal year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds 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 PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such PUF Bonds.

Future Financings

The Constitutional Provision provides that the System and its component institutions may not receive any funds from the general revenue of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repair and rehabilitation of buildings or other permanent improvements, except in case of fire or natural disaster (when the State Legislature may appropriate amounts to replace uninsured losses) or in cases of demonstrated need, as statutorily expressed in an appropriations act adopted by a two-thirds vote of both houses of the State Legislature. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. Other than the Bonds, the Board does not expect to issue any additional bonds or notes secured by

the Interest of the System in the Available University Fund to fund capital projects through the end of the current calendar year. The Board reserves the right to issue Additional Parity Bonds and Notes and other obligations should it elect to do so. See Table II, "Historical Availability and Outstanding Bonds and Notes."

Remedies

Any owner of any of the Outstanding PUF Bonds, the Bonds or Additional Parity Bonds or Notes shall, in the event of default in connection with any covenant contained in the Resolution or default in the payment of any amount due with respect to such obligations, have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys pledged under the Resolution or for enforcing any such covenant. Acceleration of the amounts due with respect to such obligations is not provided as a remedy in the Resolution.

Subordinate Lien Notes and Residual Funds

Subordinate Lien Notes. In addition to the PUF Bonds, pursuant to the Constitutional Provision, the Board has authorized an interim financing program through the issuance of its Permanent University Fund Variable Rate Notes, Series A to be outstanding at any time in the maximum principal amount of \$250,000,000 (the "Subordinate Lien Notes"). The Subordinate Lien Notes are secured by a lien on the Interest of the System in the Available University Fund subordinate to the lien securing the PUF Bonds.

Following the delivery of the Bonds and the retirement of the currently outstanding Subordinate Lien Notes, the Board will have the capacity, subject to the Constitutional debt limit, to issue up to \$250,000,000 in principal amount of Subordinate Lien Notes. See "Security for the Bonds -- Constitutional Debt Power, Debt Limitations."

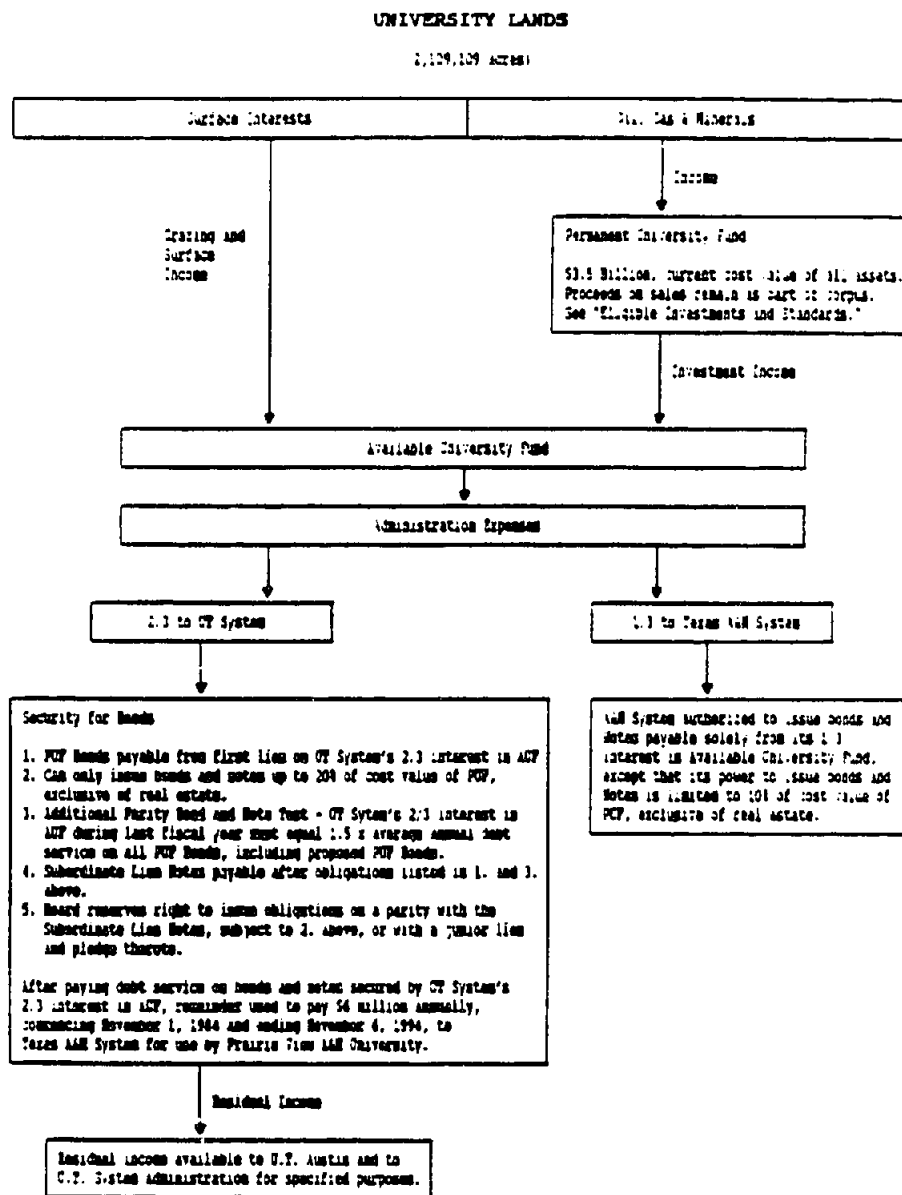
Residual AUF. After the payment of annual debt service on the PUF Bonds and after payment of any other obligations secured by a lien on the Interest of the System in the Available University Fund, the Constitutional Provision appropriates the remaining amount attributable to the Interest of the System in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to The Texas A&M University System for use by Prairie View A&M University, and (b) the balance (the "Residual AUF") to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

In addition to the Bonds, the Outstanding PUF Bonds and the Subordinate Lien Notes, the Board has previously issued The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986 (the "Building Revenue Bonds"), presently outstanding in the aggregate principal amount of \$29,835,000. The Building Revenue Bonds are secured by and payable from, among other revenues, the "Pledged Available Fund Surplus," which is that portion of the Residual AUF that is biennially appropriated by the State Legislature in a manner that will permit use thereof by the Board to pay debt service on the Building Revenue Bonds. The Building Revenue Bonds and any other obligations of the Board payable from and secured by the Pledged Available Fund Surplus are not subject to the 20% limitation described above under "Security for the Bonds -- Constitutional Debt Power, Debt Limitations."

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 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 Available 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.



The Permanent University Fund is a public endowment contributing to the support of institutions of the System (other than The University of Texas-Pan American and The University of Texas at Brownsville) and eligible institutions of The Texas A&M University System. The Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the Permanent University Fund were completed in 1883 with the contribution of another one million acres. Today, the Permanent University Fund contains 2,109,109 acres located in 19 West Texas counties.

As interpreted by the State Supreme Court and by the State Attorney General, 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 the Permanent University Fund.

Investment Responsibility

The fiduciary responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs an investment and administrative staff as well as unaffiliated investment managers for the purpose of 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 the approval of oil, gas and other mineral leases.

The Board additionally appoints an Investment Advisory Committee of up to six 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 Investment Advisory Committee meets on a quarterly basis. Pursuant to Board Rules and Regulations, Investment Advisory Committee members are appointed for a three year term and may be reappointed for one additional term. The current members of the Investment Advisory Committee are shown on page (i) of this Official Statement.

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 60 employees, consisting of securities analysts, accountants, and other personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines. In mid October, 1991, Mr. Michael E. Patrick resigned his position as Executive Vice Chancellor for Asset Management effective December 31, 1991, to accept an executive position in private industry. Mr. Thomas G. Ricks, Executive Director of Finance and Private Investments, has been appointed Acting Executive Vice Chancellor for Asset Management while a search is being conducted by the Chancellor on a national basis for a permanent replacement.

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. The Board has employed SEI Corporation, Wayne, Pennsylvania. The firm annually renders a report to the Board, copies of which may be obtained from the Office of Asset Management.

Investment Management Firms

The Board may hire unaffiliated investment managers from time to time in order to provide the Permanent University Fund with increased diversity through their unique style and approach to investing as well as to improve the Permanent University Fund's return and volatility. The Board carefully screens and evaluates external managers on the basis of investment philosophy and historical performance. Investment managers are monitored periodically by the Board for performance and adherence to investment discipline. The Board reviews the composition of managers from time to time.

and may add or terminate managers in order to optimize portfolio returns. As of January 1, 1992, external managers managed approximately 14% of the assets of the Permanent University Fund.

Eligible Investments and Standards

Pursuant to an amendment to Article VII of the State Constitution which was approved by the voters of the State on November 8, 1988, the Board is authorized, subject to procedures and restrictions it establishes, to invest the Permanent University Fund in any kind of investments and in amounts it considers appropriate; provided that it adheres to the prudent person investment standard, which requires that, in making each and all investments, the Board shall exercise the judgment and care under the circumstances then prevailing which persons 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.

In addition to the constitutional standard for investment discussed above, the Board's investment policies currently provide, among other investment restrictions, that (a) corporate bonds and preferred stocks must be rated "Baa3" by Moody's Investors Service or "BBB-" by Standard & Poor's Corporation 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, (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation, (c) less than five percent of the voting securities of a corporation may be owned, unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management, (d) no securities may be purchased on margin or leverage, (e) no transactions in short sales will be made and (f) transactions in financial futures and options may only occur as part of a hedging program as authorized.

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. 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 State Constitution and the Resolution.

Investment Objectives

The Board has three primary objectives in managing the Permanent University Fund: (1) the generation of more than sufficient income to service interest and principal payments of bonds and notes secured by the Interest of the System in the Available University Fund as well as to provide a dependable and growing stream of income for the support and maintenance of The University of Texas at Austin and System administration, (2) to cause the total value of the Permanent University Fund to appreciate over time and thereby to insure preservation of the Permanent University Fund's purchasing power and (3) diversification at all times to provide reasonable assurance that investment in a single security, class of securities, or industry will not have an excessive impact on the Permanent University Fund.

Table III shows the annual growth in the Permanent University Fund through fiscal year 1991. Proceeds from the sale of assets contained in such Fund, including capital gains, are constitutionally required to remain as part of the corpus of such Fund.

Table III
Annual Permanent University Fund Growth
 (000's omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil & Gas & Sulphur Royalties</u>	<u>Mineral Lease Sources</u>	<u>Other Sources (1)</u>	<u>Total Additions</u>
Through September 1, 1979	\$ 782,091	\$ 305,886	\$ 45,842	\$1,133,819
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
1986	109,510	6,172	172,970	288,652
1987	73,148	6,985	233,881	314,014
1988	75,431	3,568	83,578	162,577
1989	67,236	2,555	142,483	212,274
1990	71,539	4,913	64,236	140,688
1991	85,049	2,383	3,969	91,401
Totals	<u>\$2,157,241</u>	<u>\$459,458</u>	<u>\$909,782</u>	<u>\$3,526,481(2)</u>

(1) Includes net realized gains (losses) on sale of Fund securities.

(2) Excludes nominal value of land of \$10,027,384.

Table IV shows a summary comparison of the assets, excluding land, of the Permanent University Fund for fiscal years 1990 and 1991. Though market values are shown, assets are valued at their book value in the financial records of the System. The 2,109,109 acres of land owned by the Permanent University Fund is carried on the books at the nominal book value of \$10,027,384.

TABLE IV
PERMANENT UNIVERSITY FUND
Comparison Summary of Assets

SECURITY	August 31, 1990				August 31, 1991			
	BOOK VALUE	BOOK YIELD	MARKET VALUE	MARKET YIELD	BOOK VALUE	BOOK YIELD	MARKET VALUE	MARKET YIELD
LONG TERM SECURITIES:								
DEBT SECURITIES--								
U.S. GOVERNMENT OBLIGATIONS:								
Direct--Treasury	\$ 424,774,488.15	9.95%	\$ 445,330,644.04	9.61%	\$ 515,552,379.27	9.18%	\$ 553,990,905.30	7.11%
Guaranteed								
Mortgage-Backed & Mortgages	95,418,489.79	9.83	96,428,373.82	9.83	88,908,510.76	9.82	94,351,324.40	9.27
Other	43,965,148.82	8.82	42,150,123.86	9.49	38,716,618.56	8.57	39,203,026.74	8.40
Total U.S. Governments	564,158,126.76	9.84	583,909,141.72	8.93	643,177,508.59	9.23	687,545,256.44	7.48
U.S. GOVERNMENT AGENCIES (Non-Gld.):								
Mortgage-Backed	298,109,221.34	9.72	296,566,034.20	9.80	311,649,474.92	9.64	325,659,492.25	9.04
Other	15,022,547.38	9.65	15,262,989.90	8.76	19,959,016.25	9.38	20,894,373.75	7.30
Total U.S. Government Agencies (Non-Gld.)	313,131,768.72	9.72	311,829,024.10	9.75	331,608,491.17	9.62	346,553,866.00	8.94
FOREIGN GOVERNMENT OBLIGATIONS	2,000,000.00	8.60	1,839,880.00	9.51	19,433,108.75	9.03	19,961,870.00	8.69
CORPORATE BONDS:								
Utilities	232,764,180.31	9.30	223,109,199.05	10.13	289,716,095.01	9.09	294,143,888.05	8.95
Industrials	178,545,019.62	10.50	175,422,907.05	10.84	215,471,421.21	10.16	221,204,494.84	9.62
Mortgage-Backed (CMOs)	178,638,632.41	9.29	176,367,202.28	9.46	197,208,516.39	9.28	207,759,465.92	8.71
Financial	90,387,662.88	10.46	89,527,079.72	10.51	88,295,216.77	9.75	90,628,953.65	9.39
Transportation	53,572,541.30	12.36	57,718,012.20	9.71	46,964,719.78	11.97	51,692,360.05	8.47
Total Corporates	733,908,036.52	9.96	722,144,400.30	10.15	837,655,969.16	9.64	865,429,162.51	9.08
TOTAL DEBT SECURITIES	1,613,197,932.00	9.88	1,619,722,446.12	9.64	1,831,875,077.67	9.49	1,919,490,154.95	8.47
PREFERRED STOCKS	15,054,658.37	6.34	16,542,353.93	5.77	8,875,757.18	9.35	11,261,164.29	7.37
EQUITY SECURITIES--								
Convertible Debentures	508,859.66	9.53	386,500.00	12.55	619,359.66	7.83	625,250.00	7.58
Convertible Preferred Stocks	7,158,914.07	10.08	5,597,039.06	12.89	13,144,552.12	6.36	13,588,385.38	6.16
Common Stocks & Other Equities	1,172,690,317.64	4.18	1,270,671,693.71	3.86	911,868,922.24	3.50	1,212,674,145.85	2.63
TOTAL EQUITY SECURITIES	1,180,358,091.37	4.22	1,276,655,232.77	3.90	925,632,834.02	3.54	1,226,887,771.23	2.67
TOTAL LONG TERM	2,808,610,681.74	7.47	2,912,920,032.82	7.09	2,766,383,668.87	7.49	3,157,639,090.47	6.22
CASH AND EQUIVALENT:								
U.S. Governments (Direct & Gld.)	139,714,814.24	10.00	141,225,069.08	8.14	164,683,708.48	8.87	167,980,686.42	6.33
U.S. Government Agencies (Non-Gld.)	9,596,819.44	8.43	9,596,819.44	8.43	10,000,000.00	6.60	10,046,900.00	5.77
Corporate Bonds	21,295,681.95	11.27	21,710,731.44	9.29	20,276,971.54	11.62	20,823,795.26	7.89
Commercial Paper	425,000,000.00	8.08	425,000,000.00	8.08	470,000,000.00	5.90	470,000,000.00	5.90
Cash (Interest Bearing)	30,862,205.77	8.29	30,862,205.77	8.29	95,136,597.14	6.70	95,136,597.14	6.78
TOTAL SHORT TERM	626,469,521.40	8.63	628,394,825.73	8.15	760,097,277.16	6.81	763,987,978.82	6.16
TOTAL SECURITIES, CASH & EQUIVALENT	\$3,435,080,203.14	7.69%	\$3,541,314,858.55	7.28%	\$3,526,480,946.03	7.35%	\$4,921,627,069.29	6.20%

Table V shows a summary of the income from investments in the Permanent University Fund for the fiscal year ended August 31, 1991 which are deposited in the Available University Fund.

TABLE V
PERMANENT UNIVERSITY FUND
Summary of Income from Investments
(September 1, 1990 through August 31, 1991)

	CASH	ACCRUED	TOTAL
FROM FIXED INCOME SECURITIES--			
U.S. Treasuries	\$ 53,780,594.15	\$1,913,334.27	\$ 55,693,928.42
U.S. Government Obligations	,329,967.12	(256,971.80)	13,072,995.32
U.S. Government Agencies	50,230,272.62	134,121.72	30,364,394.34
PHA Mortgages	162,666.42	0.00	162,666.42
Foreign Government Obligations	274,590.70	401,653.48	676,244.18
Corporate Bonds	74,243,183.83	1,782,263.21	76,025,447.04
Preferred Stocks	882,769.26		882,769.26
Total from Fixed Income Securities	<u>172,904,044.10</u>	<u>3,974,400.98</u>	<u>176,878,445.08</u>
FROM EQUITY SECURITIES--			
Convertible Debentures	48,500.00	0.00	48,500.00
Convertible Preferred Stocks	890,644.29	0.00	890,644.29
Common Stocks & Other Equities	<u>41,938,423.17</u>	<u>0.00</u>	<u>41,938,423.17</u>
Total from Equity Securities	<u>42,877,567.46</u>	<u>0.00</u>	<u>42,877,567.46</u>
FROM SHORT TERM INVESTMENTS--			
U.S. Treasury Bills	755,640.28	(313,748.61)	441,891.67
U.S. Government Obligations	2,852,783.47	(795,603.24)	2,057,180.23
U.S. Government Agencies			
Short Term Notes	1,151,719.64	(65,380.17)	1,086,339.47
Commercial Paper	29,592,707.67	62,638.84	29,655,346.51
Interest on Funds in State Treasury	6,334,482.99	0.00	6,334,482.99
Interest on Bank Clearing Balances	324.60	0.00	324.60
Securities Lending	<u>1,190,095.08</u>	<u>0.00</u>	<u>1,190,095.08</u>
Total from Short Term Investments	<u>41,877,753.73</u>	<u>(1,112,093.18)</u>	<u>40,765,660.55</u>
TOTAL INCOME FROM INVESTMENTS			
TO AVAILABLE UNIVERSITY FUND	<u>\$257,659,365.29</u>	<u>\$2,862,307.70</u>	<u>\$260,521,672.99</u>

Table VI shows the historical yield on investments held in the Permanent University Fund.

TABLE VI
PERMANENT UNIVERSITY FUND
Historical Yield on Investments Held
(1971-1991)

YEAR	TOTAL INVESTMENTS(1)	U.S. GOVERNMENT OBLIGATIONS(2)	CORPORATE		
			BONDS(3)	PREFERRED STOCKS	COMMON STOCKS(4)
1970-71	4.65	4.68	4.91	-	4.34
1971-72	4.73	5.05	4.93	-	4.38
1972-73	4.99	5.76	4.97	-	4.62
1973-74	5.32	6.21	5.12	-	4.98
1974-75	5.75	7.07	5.54	-	4.93
1975-76	6.02	7.32	6.13	-	4.87
1976-77	6.24	7.40	6.23	-	5.36
1977-78	6.51	7.60	6.29	-	5.78
1978-79	7.00	8.14	6.50	-	6.37
1979-80	7.44	8.57	7.26	10.80	6.58
1980-81	8.54	9.83	8.66	10.80	6.97
1981-82	9.23	10.75	9.80	13.56	6.88
1982-83	9.15	10.70	10.07	13.50	6.46
1983-84	8.80	10.75	10.26	13.56	5.61
1984-85	9.01	10.88	10.41	13.56	5.58
1985-86	8.65	10.44	10.98	14.40	4.97
1986-87	8.17	10.40	10.53	13.32	4.53
1987-88	7.87	10.11	10.32	13.24	4.39
1988-89	7.72	9.94	10.10	11.73	4.38
1989-90	7.46	9.80	9.92	6.34	4.22
1990-91	7.49	9.36	9.62	9.35	3.54

- (1) For 1972-73 and subsequent years average yield excludes Short Term Securities due within one year.
- (2) Average yield includes yield on Treasury Bonds, Agency Obligations (Guaranteed and Non-Guaranteed) and FHA Mortgages.
- (3) Average yield includes yield on Foreign Government Bonds.
- (4) Average yield includes yield on Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.

Financial Information

Beginning with the fiscal year ended August 31, 1987, the State began issuing audited financial statements, prepared in accordance with generally accepted accounting principles, for the State government as a whole. The statements are prepared by the State Comptroller of Public Accounts and are audited by the State Auditor's office. The State Auditor expresses an opinion on the financial statements of the State but does not express an opinion on the financial statements of individual component units, including those of the System and the Permanent University Fund.

The scope of the State Auditor's audit includes tests for compliance with the covenants of bond issues of the State or its component agencies and institutions. In addition, supplementary schedules are included in the State financial statements, providing for each bond issue information related to pledged revenues and expenditures, coverage of debt service requirements, restricted account balances and/or other relevant information which may feasibly be incorporated. The State Auditor expresses an opinion on such schedules in relation to the basic financial statements taken as a whole. Any material compliance exceptions related to bond covenants are disclosed in the notes to the financial statements and all compliance exceptions related to bond covenants are addressed in the overall management letter for the State audit. A copy of the latest audited financial statements of the State and the unaudited financial statements of the System and the report entitled "Permanent University Fund Investments for the Fiscal Year ended August 31, 1991" may be obtained upon request from the Office of Asset Management at 210 W. 6th Street, Austin, TX 78701. The Board has covenanted in the Resolution to provide after the close of each fiscal year, to each bondholder who may so request, such audits and reports by the State Auditor for the preceding fiscal year concerning the Permanent University Fund, the Interest of the System in the Available University Fund and the PUF Bonds, as the State Auditor is required by law to prepare and distribute and the unaudited financial statements of the System and the annual report on investments in the Permanent University Fund.

ABSENCE OF LITIGATION

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to either such party, would have a material adverse effect on its financial condition, the Permanent University Fund or the Interest of the System in the Available University Fund, and no litigation of any nature has been filed, or to their knowledge threatened, which seeks to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Vinson & Elkins L.L.P., Bond Counsel, whose approving opinion will be in the form attached hereto as Appendix E. Bond Counsel was not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firm has not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in the capacity as Bond Counsel, such firm has reviewed the information relating to the Bonds and the Resolution contained under the captions "Introduction," "Plan of Financing," "Description of the Bonds (other than the information under the caption "Book-Entry Only System")," "Security for the Bonds," "Permanent University Fund -- Introduction," "Legal Matters," "Tax Exemption," "Tax Accounting Treatment of Original Issue Discount Bonds," and "Legal Investments in Texas" (except for financial and statistical information contained under any such caption) in this Official Statement, and such firm is of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein. The payment of legal fees to Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the System by McCall, Parkhurst & Horton and by Lannen & Moyé, P.C.

The Board will furnish to the initial purchasers a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the State Attorney General, to the effect that the Bonds are valid and legally binding obligations of the Board, and based upon an examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the effect that the Bonds are valid and legally binding obligations of the Board, and to the effect that the interest on the Bonds is excludable from the gross income of the holders thereof for federal income tax purposes under existing law. See "Tax Exemption." The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds, will also be furnished.

LITIGATION RELATING TO THE TEXAS HIGHER EDUCATION SYSTEM

On January 20, 1992, a final judgment was entered by the 107th District Court of Cameron County, Texas (the "District Court"), in Cause No. 12-87-5242-A, styled League of United Latin American Citizens ("LULAC"), et al. v. Ann Richards, et al., which held that the "Texas Higher Education System (the laws, policies, practices, organizations, entities and programs that have created, developed or maintained Texas public universities and professional schools) [(the "Higher Education System") is impermissibly unlawful, violative of, and prohibited by the Constitution and laws of the State of Texas." The judgment states that the Higher Education System is unconstitutional because the named defendants in the case (which include the Governor of the State of Texas (the "State"), other State officials and the members of the boards of regents of most of the State universities and university systems, including members of the Board) have refused to grant benefits to, have imposed unreasonable burdens upon, and denied equal educational opportunity to the class that the plaintiffs represent (which includes all persons of Mexican (Hispanic) ancestry who reside in an area of 41 contiguous counties along the border of Texas with Mexico and who are now or will be students, or would have been students but for the unlawful practices and policies of the defendants, at Texas public senior colleges and universities or health related institutions were if no. for the resource allocation policies and practices complained at in the plaintiff's petition) because of their national origin. The judgment further states that the Higher Education System has resulted in the expending of fewer State resources on higher education in geographic areas of significant Mexican American populations than in other areas of the State in violation of the State Constitution.

The judgment includes an injunction prohibiting the defendants from giving any force and effect to provisions of the Texas Constitution and laws relating to the financing of public universities and professional schools from all sources, including the ~~General~~ Ground Revenue Fund and the Permanent University Fund proceeds. The injunction, however, is stayed until May 1, 1993 in order to allow the defendants to pursue their appeal and to allow sufficient time for the Legislature of Texas to enact a constitutionally sufficient plan for funding public universities and medical colleges should the District Court's judgment be upheld on appeal. The judgment also provides that it shall have prospective application only, and shall not affect the validity or enforceability of obligations issued or incurred by a public university or professional school in Texas, such as the Bonds being offered by this document, and the revenues or source of payment of such obligations which are issued or incurred prior to May 1, 1993.

No comprehensive assessment has been made of the potential impact of the judgment on the System. The Attorney General of Texas and the defendants have stated that they will appeal the judgment.

The opinion of Bond Counsel will state that Bond Counsel has considered such litigation in expressing its opinion that the Bonds are valid and legally binding obligations of the System.

TAX EXEMPTION

In the opinion of Vinson & Elkins L.L.P., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and (ii) the Bonds are not "private activity bonds" under the Code, and

interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustment for corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The Board has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the Board with respect to matters solely within the knowledge of the Board, which Bond Counsel has not independently verified. If the Board should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a 20% alternative minimum tax on the "alternative minimum taxable income" of a corporation (other than any S corporation, regulated investment company, REIT, or REMIC), if the amount of such alternative minimum tax is greater than the amount of the corporation's regular income tax. The "Superfund Revenue Act of 1986" also imposes an additional .12% "environmental tax" on the alternative minimum taxable income of a corporation in excess of \$2,000,000. Generally, for taxable years beginning after 1989, a corporation's alternative minimum taxable income will include 75% of the amount by which a corporation's "adjusted current earnings" exceeds its "alternative minimum taxable income." Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted current earnings," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Except as stated above, and as stated below in "Tax Accounting Treatment of Original Issue Discount Bonds," Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

On June 26, 1991, the Tax Simplification Bill of 1991, S. 1394/H.R. 2777, was introduced in the United States House of Representatives by Ways and Means Committee Chairman Rostenkowski and in the United States Senate by Finance Committee Chairman Bentsen (together with the ranking minority members of such Committees). If the 1991 Bill is enacted as currently drafted, for partnership taxable years ending on or after December 31, 1992, certain "large partnerships" may be required to include in the computation of taxable income at the partnership level tax-exempt interest, such as interest on the Bonds. Prospective purchasers of the Bonds who may be or become "large partnerships" should consult their tax advisors regarding the 1991 Bill.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

The initial offering price for certain of the Bonds may be less than the principal amount thereof (the "Original Issue Discount Bonds"). In such case, Bond Counsel, under existing law and based upon the assumptions hereinafter stated, will render an opinion to the effect that:

(a) The difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds; and

(b) Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption "Tax Exemption" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

In rendering the foregoing opinion, Bond Counsel will assume, in reliance upon certain representations of the Underwriter, that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (b) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the Board nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions. Certain of the representations of the Underwriter, upon which Bond Counsel will rely in rendering the foregoing opinion, will be based upon records or facts the Underwriter had no reason to believe were not correct.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to the basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 717k, Texas Revised Civil Statutes Annotated, as amended, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the interest and sinking funds and other public funds of counties, municipal corporations, taxing districts and other political subdivisions or agencies or instrumentalities of the State. The Bonds 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. The Texas Public Funds Investment Act, Article 842a-2, Texas Revised Civil Statutes Annotated, as amended, provides that a city, county or school district may invest in the Bonds, provided the Bonds have received a rating of not less than "A" from a nationally recognized investment rating firm. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Moody's Investors Service has assigned a rating of Aa1 to the Bonds. Fitch Investors Service, and Standard & Poor's Corporation have each assigned ratings of AA+ to the Bonds. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of any of such ratings may have an adverse effect on the market price of the Bonds.

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. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the constitutional provisions, statutes and documents contained in this Official Statement are made subject to all of the provisions of such constitutional provisions, statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such provisions and documents for further information. Reference is made to original documents in all respects.

At the time of payment for and delivery of the Bonds, the Purchaser will be furnished a certificate, executed by proper officers, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the System contained in its Official Statement, and any addendum, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of said Bonds and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the Board and its affairs, including its financial affairs, are concerned, such Official Statement 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; (c) insofar as the descriptions and statements, including financial data, of or pertaining to entities, other than the System, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the Board believes to be reliable and the Board has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the System since the date of the last audited financial statements of the System.

The Resolution authorizing the issuance of the Bonds will also approve the form and content of this Official Statement, and any addendum, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Purchaser.

*Acting Executive Vice Chancellor for Asset
Management, The University of Texas System*

APPENDIX A
DESCRIPTION OF
THE UNIVERSITY OF TEXAS SYSTEM

APPENDIX A

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. Effective September 1, 1989, Pan American University and Pan American University at Brownsville became part of The University of Texas System as authorized by the Texas Legislature in 1989. Effective September 1, 1991, the State Legislature designated Pan American University at Brownsville as a separate institution to be renamed the University of Texas at Brownsville and such institution would represent a separate institution in the University System.

The Board consists of nine regents who serve without pay. Members are appointed by the Governor and confirmed by the State Senate to staggered six-year terms. Administration of the System 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, the Interest of the University in the Available University Fund and miscellaneous sources. The percentage division of these fund sources used for the fiscal year ended August 31, 1991 is as follows:

Sources of Revenues	
Tuition and Fees	7.45%
State Appropriations	44.44
Gifts, Grants and Contracts	3.76
Available University Fund Income	3.34
Sales and Services	27.14
Professional Fees	10.15
Other Interest Income	2.18
Other Sources	<u>1.54</u>
	<u>100%</u>

Institutional Enrollment

The 1991 fall student enrollments at the teaching institutions of the System are as shown below:

U.T. Arlington	25,135
U.T. Austin	49,961
U.T. Brownsville	1,457
U.T. Dallas	8,977
U.T. El Paso	16,380
U.T. Pan American	12,482
U.T. Permian Basin	2,108
U.T. San Antonio	15,759
U.T. Tyler	3,788
U.T. Southwestern Medical Center at Dallas	1,595
U.T. Medical Branch at Galveston	2,586
U.T. Health Science Center at Houston	3,125
U.T. Health Science Center at San Antonio	<u>2,546</u>
Total	<u>146,349</u>

Discussion of General Academic Institutions

The University of Texas at Arlington, which has the sixth largest enrollment of all institutions of higher education in the State, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution offers 119 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, and Business Administration; Graduate School of Social Work; Institute of Urban Studies; School of Architecture; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin, established in 1881, is the oldest and largest component of the University System. A major public research university, its programs are nationally ranked in quality and its research facilities are among the most extensive in the nation. The University of Texas at Austin library resources rank sixth among academic libraries in the United States. Serving approximately 50,000 students, the institution offers 271 degree programs in all major academic areas other than agriculture. An outstanding faculty lists among its ranks winners of the Nobel Prize and Pulitzer Prize, as well as more than 1,000 endowed positions.

The University of Texas at Brownsville became a member of the University System as an upper-level center of The University of Texas - Pan American on September 1, 1989. As of September 1, 1991, the Legislature designated it as a separate institution of the System, adopted a name change, and endorsed a partnership with Texas Southmost College whereby students will be able to pursue at The University of Texas at Brownsville either four-year courses of study for baccalaureate programs or associate certificate, and graduate programs. Programs for a combined enrollment of more than 7,000 students will be conducted entirely in facilities leased from the Texas Southmost College District. The institution will offer programs through the colleges of Liberal Arts and Science and Mathematics and the schools of Business and Industry, Education, and Health Sciences. A cooperative doctoral program in Educational Administration is offered with the University of Houston.

The University of Texas at Dallas was established in 1969 as an upper-level (above the sophomore level) academic institution. In 1989, the State Legislature authorized the admission of freshmen and sophomore students beginning the first Summer session of 1990. The institution offers curricula leading to more than 80 degrees at the baccalaureate, master and doctoral levels. The University of Texas at Dallas has a strong faculty that consistently ranks among the State's top academic institutions in the amount of research dollars generated per full-time equivalent faculty. The Callier Center for Communication Disorders located near downtown Dallas is a nationally recognized center for research and rehabilitation in speech and hearing disorders.

The University of Texas at El Paso was established by the State Legislature in 1914 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the University System in 1919, redesignated as Texas Western College in 1949 and, since 1967, has been named The University of Texas at El Paso. Both baccalaureate and masters degrees are offered through six colleges: Business Administration; Education; Engineering; Liberal Arts; Nursing and Allied Health; and Science. Doctorates are offered in Geological Sciences and Electrical Engineering. Its location near the Texas-Mexico border results in the attendance of many students from Mexico.

The University of Texas-Pan American joined the University System as of September 1, 1989. Founded in 1927 as a community college, it became Pan American University in 1971. The institution offers baccalaureate degrees in some 50 fields including Business, Arts and Sciences, and Education, as well as masters degrees in 20 fields. A baccalaureate program in Engineering is now under development along with additional masters programs and doctoral programs. The institution draws most of its students from the immediate region and has the largest enrollment of Hispanic students in the nation.

The University of Texas of the Permian Basin in Odessa was created in 1969 and effective September 1, 1991, the institution became a four year University by action of the State Legislature, and offers programs in the Arts and Sciences, Business Administration and Education. It also offers a Master of Arts in Psychology. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experimental learning and open laboratory and art areas.

Students also benefit from work-study programs in media, education, research laboratories and field work for major oil companies.

The University of Texas at San Antonio was authorized by the State Legislature in 1969. The institution is committed to a multidisciplinary philosophy to encourage interchange among the disciplines as demonstrated by its organization into 15 divisions, rather than departments, in the Colleges of Business, Fine Arts and Humanities, Social and Behavioral Sciences and Engineering. The University of Texas Institute of Texas Cultures at San Antonio, founded as a world's fair exhibit for HemisFair 1968, has grown into a statewide resource and information center and 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 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.

The University of Texas at Tyler became a part of the University System in 1979 by action of the State Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-level (above the sophomore level) and graduate institution is located in the heart of East Texas, midway between Dallas and Shreveport, Louisiana. The four schools within the institution's organization are: Business Administration; Education and Psychology; Liberal Arts and Sciences; and Mathematics. It is the only public degree-granting university in the fourteen-county East Texas Planning Region, an area with a population of over 700,000.

Discussion of Health Institutions

The University of Texas Southwestern Medical Center at Dallas has approximately 2,500 students, residents and postdoctoral fellows. It is by many measures among the top ten medical schools in the United States. Its students consistently rank among the top five percent of all medical school graduates on competitive examinations. Three Nobel Prize Laureates are currently active on its faculty. The University of Texas Southwestern Medical Center at Dallas is active in biomedical research from life-saving organ transplantation, nutritional biochemistry and magnetic resonance imaging to the basic discoveries of molecular and genetic principles underlying health and disease.

The University of Texas Medical Branch at Galveston was founded in 1891 as the Medical Department of The University of Texas and, as such, is the second oldest component of the University System. Educational programs are offered through the Medical School, Graduate School of Biomedical Sciences, School of Nursing, School of Allied Health Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. Some 2,000 students are engaged in degree programs and graduate medical training. The hospital complex draws patients from throughout the State and from national and international referrals. In fiscal year 1990, the hospital complex had 714 hospital beds in operation and averaged 1,224 outpatient visits per day.

The University of Texas Health Science Center at Houston was established in 1972 within the Texas Medical Center to coordinate and administer activities of several University System health education units in Houston. Today, slightly over 3,000 students attend the six schools: the Dental Branch; the Graduate School of Biomedical Sciences; the School of Public Health; the Medical School; the School of Nursing; and the School of Allied Health Sciences. Each year more than 2,000 health professionals participate in continuing education programs coordinated by the its Division of Continuing Education. The Speech and Hearing Institute helps individuals with communication disorders.

The University of Texas Health Science Center at San Antonio includes the Medical School, Dental School, Graduate School of Biomedical Sciences, School of Nursing, and the School of Allied Health Sciences. Authorized by the State Legislature in 1959, the Medical School opened in 1968. Annual enrollment in academic programs of The University of Texas Health Science Center at San Antonio is approximately 2,500. The center also provides continuing education for about 12,000 health professionals annually.

University of Texas M.D. Anderson Cancer Center is internationally renowned as one of the world's premier centers for cancer patient care, research, education and prevention. The University of Texas M.D. Anderson Cancer Center is composed of The University of Texas M.D. Anderson Hospital and The University of Texas M.D. Anderson Tumor Institute, both located in Houston, and The University of Texas M.D. Anderson Science Park in Bastrop County, Texas. Since The University of Texas M.D. Anderson Cancer Center first opened in 1944, more than 230,000 cancer patients have received the highest caliber care from the institution's team of health professionals. In fiscal year 1990, the cancer center had 490 hospital beds in operation and averaged 1,847 outpatient visits per day.

The University of Texas Health Center at Tyler is a teaching hospital and a referral and research center for the diagnosis and treatment of cardiopulmonary diseases. The institution became associated with the University System in 1977 after operating as a state hospital since 1947. Physicians throughout the State send patients with heart and lung diseases to The University of Texas Health Center at Tyler for further diagnosis and treatment. Services are provided by the Divisions of Family Medicine, Pathology, Pediatric Allergy and Pulmonary, Radiology and Surgery, and a Department of Medicine which includes cardiology, infectious diseases, occupations medicine, oncology and adult pulmonary. In fiscal year 1990, the Tyler health center had 198 hospital beds in operation and averaged 184 outpatient visits per day.

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APPENDIX B
FINANCIAL INFORMATION REGARDING THE PERMANENT UNIVERSITY FUND

APPENDIX B
PERMANENT UNIVERSITY FUND RECEIPTS
(From the Beginning through August 31, 1991)

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities	
							Bonds	Equities
Prior to 1924	\$ 870,984.70	\$ 16,611.75	\$ ----	\$ 203,343.36	\$ 651,029.59	\$ ----	\$ ----	\$ ----
1924-25	239,166.22	231,883.74	----	3,480.00	----	3,802.48	----	----
1925-26	3,853,257.60	3,853,257.60	----	----	----	----	----	----
1926-27	2,553,574.23	2,553,574.23	----	----	----	----	----	----
1927-28	2,610,077.92	2,576,885.17	----	31,192.75	----	----	----	----
1928-29	3,860,790.89	2,704,056.92	----	27,633.77	----	1,129,100.20	----	----
1929-30	2,783,593.61	1,142,444.89	----	11,292.72	950,000.00	679,856.00	----	----
1930-31	1,379,307.26	1,366,735.26	----	12,572.00	----	----	----	----
1931-32	1,138,256.19	1,115,096.19	----	23,160.00	----	----	----	----
1932-33	823,279.51	786,759.21	----	20,488.30	----	16,032.00	----	----
1933-34	1,164,834.91	846,071.88	----	45,648.63	----	273,114.40	----	----
1934-35	882,577.27	776,048.57	----	80,984.70	----	25,544.00	----	----
1935-36	1,109,136.32	700,680.52	----	61,298.80	----	347,157.00	----	----
1936-37	1,994,464.47	759,962.85	----	74,043.92	----	1,160,457.70	----	----
1937-38	2,229,969.10	761,016.07	----	69,740.79	----	1,399,232.24	----	----
1938-39	1,442,152.17	673,155.54	----	65,233.20	----	703,763.43	----	----
1939-40	1,013,949.10	678,516.56	----	42,577.88	----	292,854.66	----	----
1940-41	801,726.29	719,760.62	----	42,064.67	----	39,901.00	----	----
1941-42	1,314,419.46	812,048.15	----	26,773.01	7,748.30	467,850.00	----	----
1942-43	3,199,056.60	761,254.30	----	23,016.83	860.47	2,413,925.00	----	----
1943-44	11,741,775.96	1,196,797.27	----	48,478.69	----	10,496,500.00	----	----
1944-45	4,268,661.29	1,733,929.60	----	88,121.69	----	2,446,610.00	----	----
1945-46	8,804,080.27	2,216,298.05	1,994.00	92,588.22	----	6,493,200.00	----	----
1946-47	6,739,766.30	3,530,163.75	23,421.00	122,181.55	----	3,064,000.00	----	----
1947-48	17,225,744.64	6,612,745.64	8,205.66	107,293.34	----	10,497,500.00	----	----
1948-49	12,760,877.49	8,177,304.71	15,297.60	99,515.18	1,210.00	4,467,550.00	----	----
1949-50	8,685,995.29	7,087,867.16	21,644.58	138,983.55	----	1,417,500.00	----	----
1950-51	16,548,802.11	8,210,838.56	25,718.06	150,145.49	----	8,162,200.00	----	----
1951-52	22,973,717.05	7,581,904.74	27,238.38	231,573.93	----	15,133,000.00	----	----
1952-53	33,863,915.37	8,451,771.62	39,655.26	278,488.19	----	25,094,000.00	----	----
1953-54	25,381,166.67	10,202,726.41	50,242.84	324,697.42	----	14,803,500.00	----	----
1954-55	23,904,670.98	11,274,602.53	44,643.12	361,925.33	----	12,223,500.00	----	----
1955-56	37,262,028.58	11,558,821.95	45,114.54	352,902.37	----	23,305,189.72	----	----
1956-57	21,878,249.58	17,502,323.55	44,578.43	340,593.88	----	3,990,755.72	----	----
1957-58	19,145,681.32	15,087,845.43	47,080.81	268,301.22	----	3,719,545.90	22,905.96	----
1958-59	24,464,835.56	16,823,966.90	92,590.29	262,284.03	----	7,233,410.23	----	52,580.13

B-1

PERMANENT UNIVERSITY FUND RECEIPTS
(Continued)

Fiscal Year	Total	Oil, Gas and Sulphur Royalties	Water Royalties and Rentals (1)	Rentals on Mineral Leases (2)	Misc. (3)	Bonuses on Mineral Leases	Gains and (Losses) on Sales of Securities	
							Bonds	Equities
1959-60	\$ 18,775,306.98	\$ 15,557,180.13	\$ 97,561.00	\$ 241,607.98	\$ 5,566.00	\$ 2,824,337.99	\$ ----	\$ 47,053.88
1960-61	17,015,510.65	14,750,746.31	106,498.80	181,638.76	----	1,851,856.75	72,452.93	48,353.10
1961-62	18,900,292.62	15,695,999.25	125,886.29	178,688.79	----	2,896,919.56	2,798.73	----
1962-63	17,555,883.36	14,776,924.23	114,125.92	177,563.90	----	2,239,940.28	227,329.03	25,000.00
1963-64	19,604,162.17	14,573,731.80	120,977.01	188,551.90	----	4,709,007.32	11,894.14	----
1964-65	28,761,935.78	16,129,182.21	119,386.54	218,234.93	----	12,295,111.25	20.85	----
1965-66	27,359,222.09	15,277,898.15	113,894.95	257,858.55	427.00	11,709,055.47	87.97	----
1966-67	17,077,814.26	15,547,263.19	123,401.52	281,032.49	1,523.00	930,920.26	13,784.25	179,891.55
1967-68	22,700,588.69	16,513,544.80	124,982.69	231,845.79	----	5,409,497.31	5.34	420,712.76
1968-69	23,112,761.85	16,638,054.98	135,085.98	319,026.86	45,443.00	4,133,164.45	9,949.42	1,832,037.16
1969-70	26,398,948.64	16,410,890.13	156,466.78	305,394.23	4,616.00	1,966,392.11	7,454.22	7,547,735.17
1970-71	26,671,948.49	18,388,315.30	172,840.88	276,364.31	----	1,838,207.68	965,437.62	5,030,782.70
1971-72	35,726,042.43	19,518,331.83	154,054.53	342,590.50	57,630.00	5,055,030.81	(25,860.30)	10,624,265.06
1972-73	38,779,680.45	18,966,510.58	164,131.00	445,247.23	18,308.00	7,066,026.34	(8,168,562.13)	20,288,019.43
1973-74	44,929,034.75	31,541,164.69	296,926.42	446,989.25	----	12,542,068.58	27,323.70	74,562.11
1974-75	67,487,859.30	58,512,448.78	204,565.31	690,281.42	----	8,265,982.40	24,912.79	(210,331.40)
1975-76	72,826,764.79	70,123,015.98	242,133.42	599,275.12	----	15,379,248.23	(12,574,689.63)(4)	(942,218.33)
1976-77	91,472,199.23	76,597,812.70	251,654.71	1,116,030.39	78,484.43	11,862,279.02	7,588.92	(441,650.94)
1977-78	97,250,391.42	76,845,154.01	295,196.04	1,401,703.95	97,311.79	18,573,336.16	24,575.55	33,113.91
1978-79	90,497,386.44	76,636,939.08	280,463.43	2,343,377.90	26,639.10	10,817,521.37	62,420.28	310,023.28
1979-80	122,649,526.92	119,356,296.50	436,345.90	2,550,236.82	45,516.93	252,798.50	58,756.28	(50,424.01)
1980-81	262,882,837.58	160,284,565.95	393,453.13	2,954,156.56	42,656.19	98,282,136.49	(342,583.31)	1,268,452.57
1981-82	206,393,579.27	178,286,242.90	430,941.66	2,558,661.21	103,508.94	20,221,156.06	(1,037,955.85)	5,841,024.35
1982-83	176,874,953.43	154,701,532.17	483,778.37	1,997,907.63	27,636.90	742,381.60	1,834,080.92	17,087,635.84
1983-84	179,902,223.07	145,186,363.81	855,112.73	2,314,846.80	15,886.00	7,253,984.34	1,144,757.33	23,331,272.06
1984-85	234,353,207.78	135,421,797.10	612,809.76	1,736,478.11	23,794.75	744,093.06	(10,501.59)	96,124,736.59
1985-86	288,651,796.17	109,510,168.89	791,815.98	822,774.96	38,870.30	6,171,721.86	(13,846,382.79)	185,162,826.97
1986-87	314,013,997.58	73,147,583.10	635,417.51	497,730.87	5,919.90	6,984,753.24	4,570,190.35	228,172,402.6
1987-88	162,578,213.06	75,431,806.51	713,387.71	592,239.82	24,721.26	3,567,966.96	(15,049,888.50)	97,297,479.28
1988-89	212,273,613.38	67,236,036.49	1,126,926.76	869,198.15	35,330.25	2,554,807.73	(79,505.18)	140,530,819.18
1989-90	140,687,878.53	71,539,477.03	1,095,340.40	883,053.35	43,723.80	4,913,077.50	(719,878.80)	62,933,085.25
1990-91	91,400,742.89	85,049,436.13	1,078,680.17	7	46	2,381,107.90	(7,628,744.89)	2,721,273.37
TOTALS	\$3,526,480,946.03	\$2,357,242,110.62	\$12,541,667.87	\$32,923,110.40	\$2,378,722.65	\$459,458,416.24	\$150,395,826.38	\$913,341,017.63

B-1 continued

(1) Consists of water royalties, lease rentals and brine royalties. Beginning 1989 includes brine lease rentals.
 (2) Consists of oil and gas rentals and sulphur lease rentals. Prior to 1989 includes brine lease rentals.
 (3) 1985 and subsequent years consists of sale of sand, gravel and other materials.
 (4) Includes \$57,738.17 profit on sale of bonds and \$12,612,427.80 adjustment for certain bond exchanges of prior years which did not meet the criteria established by the State Auditor for transactions to be classed as exchanges.

**APPENDIX B
HISTORICAL BOOK VALUE OF PERMANENT UNIVERSITY FUND INVESTMENTS
(1971-1991)**

Miscal Year Ending Aug. 31	Total Investments and Cash	U.S. Government Obligations	U.S. Government Agencies (Non-Guaranteed)	Foreign Government Obligations	Corporate Bonds (1)	Equity Securities (2)	Cash and Equivalent
1971	\$ 594,849,017.56	\$128,784,611.54	----	----	\$234,360,279.62	\$ 215,470,381.85	\$ 16,233,744.55
1972	630,575,059.99	145,803,494.06	----	----	233,763,862.43	247,398,863.18	3,608,840.32
1973	669,354,740.44	135,744,462.77	----	----	243,453,994.14	258,638,644.09	31,517,639.44
1974	714,283,775.19	155,858,761.16	\$ 1,000,000.00	----	247,562,656.25	269,522,514.24	40,339,843.54
1975	781,771,634.49	208,918,986.48	1,000,000.00	----	279,571,990.53	270,865,293.16	21,415,364.32
1976	854,598,399.28	242,294,930.84	1,000,000.00	----	281,548,560.00	298,524,549.51	31,231,358.94
1977	946,070,598.51	261,884,549.50	1,000,000.00	----	292,352,324.42	344,731,989.40	46,101,735.19
1978	1,043,320,989.93	316,232,681.45	1,000,000.00	----	297,913,283.48	373,021,437.97	55,153,587.03
1979	1,133,818,376.37	341,448,555.99	17,788,975.10	----	326,340,718.66	396,179,645.31	52,060,481.31
1980	1,256,467,903.29	371,023,095.87	16,152,581.02	----	388,186,877.79	434,713,755.41	46,391,593.20
1981	1,519,350,740.87	444,816,629.10	23,535,097.70	----	475,321,514.50	425,512,468.12	150,165,031.45
1982	1,735,744,320.14	510,405,770.15	38,111,205.74	----	568,225,859.09	500,389,055.57	108,612,429.59
1983	1,902,619,273.57	589,721,845.11	32,089,505.36	----	630,357,639.27	579,748,768.95	70,701,514.88
1984	2,082,521,496.64	619,104,344.19	18,083,085.29	----	668,456,133.78	701,217,910.14	75,660,023.24
1985	2,316,874,704.42	579,011,221.29	25,515,038.20	----	706,713,287.03	626,924,264.80	378,710,893.10
1986	2,605,526,500.59	605,012,041.77	53,762,857.04	----	694,416,298.95	767,028,384.58	485,306,918.25
1987	2,919,540,498.17	503,934,290.97	176,478,682.40	----	688,050,905.79	864,579,822.01	686,496,797.00
1988	3,082,118,711.23	471,684,659.47	284,347,623.00	----	712,645,527.40	997,439,894.95	616,001,006.41
1989	3,294,392,324.61	624,382,653.79	316,207,653.00	----	735,211,572.16	1,150,005,562.00	468,584,881.66
1990	3,435,080,203.14	564,158,126.76	313,131,768.72	2,000,000.00	748,962,694.89	1,180,358,091.37	626,469,521.40
1991	3,526,480,946.03	643,177,508.59	331,608,491.17	19,433,108.75	846,531,726.34	925,632,834.02	760,097,277.16

(1) 1971 and 1979 and subsequent years include Preferred Stocks.

(2) Includes Convertible Debentures, Convertible Preferred Stocks, Partnerships and Common Stocks.

APPENDIX B
 HISTORICAL MARKET VALUE OF
 PERMANENT UNIVERSITY FUND INVESTMENTS
 (1958-1991)

Fiscal Year Ending Aug. 31	Market Value
1958	\$ 283,642,585.96
1959	300,619,318.71
1960	336,685,252.84
1961	363,319,703.48
1962	374,325,438.44
1963	410,157,219.63
1964	435,930,449.88
1965	467,016,457.82
1966	438,550,617.34
1967	485,074,088.49
1968	515,056,095.95
1969	494,350,751.87
1970	468,518,819.95
1971	564,491,493.21
1972	633,752,043.29
1973	617,918,754.39
1974	527,782,500.53
1975	670,731,301.24
1976	835,071,286.00
1977	919,814,401.79
1978	1,008,404,752.47
1979	1,094,333,795.89
1980	1,150,403,913.73
1981	1,293,316,410.28
1982	1,615,383,488.74
1983	2,011,544,826.08
1984	2,150,403,445.10
1985	2,556,286,338.84
1986	3,112,081,335.16
1987	3,395,190,360.82
1988	3,227,421,237.07
1989	3,740,390,017.25
1990	3,541,314,858.55
1991	3,921,627,069.29

APPENDIX C

**COMBINED DEBT SERVICE REQUIREMENTS
OUTSTANDING PUF BONDS AND THE BONDS**

APPENDIX C

COMBINED DEBT SERVICE REQUIREMENTS
OUTSTANDING PUF BONDS AND THE BONDS

<u>FISCAL YEAR ENDING AUGUST 31</u>	<u>SERIES 1985, 1988, 1991 AND 1992A DEBT SERVICE (1)</u>	<u>DEBT SERVICE ON THE BONDS (1)</u>	<u>TOTAL DEBT SERVICE</u>
1991			
1992			
1993			
1994			
1995			
1996			
1997			
1998			
1999			
2000			
2001			
2002			
2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			

(1) Assumed interest rate of 7% used for purposes of illustration.

APPENDIX D
SCHEDULE OF OUTSTANDING INDEBTEDNESS

APPENDIX D

**THE UNIVERSITY OF TEXAS SYSTEM
SCHEDULE OF OUTSTANDING INDEBTEDNESS (1)**

	<u>Original Amount Issued</u>	<u>Outstanding</u>
The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986(2)	\$ 36,410,000	\$ 29,835,000
The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986(3)	85,365,000	66,330,000
Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 1991A, 1991B and 1991C(3)	282,725,000	282,725,000
M. D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976(3)	18,500,000	7,160,000
Hospital Revenue Bonds, Subordinate Lien, Series 1976(3)	4,770,000	2,730,000
Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986(3)	7,625,000	6,470,000

-
- (1) Does not include the PUF Bonds or Subordinate Lien Notes or lease purchase payables in various amounts totaling \$8,042,878 as of August 31, 1991.
- (2) Payable from Available University Fund surplus on a junior and subordinate basis to PUF Bonds and Subordinate Lien Notes.
- (3) Not payable from Available University Fund.

APPENDIX E
FORM OF BOND COUNSEL OPINION

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CABLE VINELKINS LONDON W1-TELEX 24140

_____, 1992

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND BONDS
SERIES 1992B, DATED _____, 1992,
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____

WE HAVE ACTED AS BOND COUNSEL to the Board of Regents of The University of Texas System (the "Board") in connection with the issuance by the Board of the bonds described above (the "Bonds"). The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 principal amount or any integral multiple thereof. The Bonds bear interest from _____ 1, 1992 until maturity or prior redemption, payable on July 1, 1992 and on each January 1 and July 1 thereafter until maturity or prior redemption, at the respective rates of interest per annum and maturing on the dates and in the respective amounts set forth below:

Due July 1	Principal Amount	Interest Rate
1993	\$ _____	_____ %
1994	_____	_____ %
1995	_____	_____ %
1996	_____	_____ %
1997	_____	_____ %
1998	_____	_____ %
1999	_____	_____ %
2000	_____	_____ %
2001	_____	_____ %
2002	_____	_____ %
2003	_____	_____ %
2004	_____	_____ %
2005	_____	_____ %
2006	_____	_____ %
2007	_____	_____ %
2008	_____	_____ %
2009	_____	_____ %
2010	_____	_____ %
2011	_____	_____ %
2012	_____	_____ %
2013	_____	_____ %

THE BONDS ARE BEING ISSUED pursuant to a resolution adopted by the Board on February 13, 1992 (the "Bond Resolution"), for the purposes of refunding certain outstanding obligations of the Board and paying the "Project Costs" of certain "Eligible Projects" (as such quoted terms are defined in the Bond Resolution). The Bonds are secured equally and ratably, together with other outstanding obligations of the Board issued on a parity with the Bonds, by a first lien on and pledge of the "Interest of the System" in the "Available University Fund" (as such quoted terms are defined in the Bond Resolution). The Board has reserved the right to issue other obligations on a parity with the Bonds and the other bonds secured equally and ratably therewith, and to amend the Bond Resolution with the approval of the owners of 51% of the outstanding principal amount of all bonds and notes of the Board that are secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

THE SCOPE OF OUR ENGAGEMENT AS BOND COUNSEL extends solely to an examination of the facts and law incident to rendering an opinion with respect to the legality and validity of the Bonds and the security therefor under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Bonds from gross income of the holders thereof for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of The University of Texas System or the "Permanent University Fund" (as defined in the Bond Resolution) or the Available University Fund, and we have not assumed any responsibility with respect to the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Board's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY AS BOND COUNSEL, we have examined applicable provisions of the Constitution and laws of the State of Texas and a transcript of certain materials pertaining to the Bonds and the obligations being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Board; customary certificates, affidavits and other documents executed by officers, agents and representatives of the Board, the State of Texas and others; and other certified showings related to the authorization and issuance of the Bonds. We have also examined fully executed Bond No. R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION THAT:

(a) The Board is the governing body of The University of Texas System, a duly created and existing agency of the State of Texas, and has full power and authority to issue the Bonds and to

adopt the Bond Resolution and perform its obligations thereunder.

(b) The Board has duly adopted the Bond Resolution, which resolution duly authorizes the issuance, sale, execution and delivery of the Bonds. Authorized representatives of the Board have duly executed the Bonds, and the Bonds have been duly registered and delivered to the initial purchasers thereof. The Bonds constitute legal, valid and binding limited obligations of the Board secured, along with certain other obligations of the Board, by a first lien on and pledge of the Interest of the System in the Available University Fund; provided, however, that the enforceability of certain provisions of the Bonds and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors and by general principles of equity that permit the exercise of judicial discretion. The form and execution of executed Bond No. R-1 are regular and proper.

(c) The Bonds are issued and delivered pursuant to and in accordance with the Bond Resolution and the Constitution and laws of the State of Texas, particularly article VII, section 18 of the Texas Constitution, section 65.46, Texas Education Code, and articles 717k and 717q, Texas Revised Civil Statutes Annotated, all as amended. The Bonds are not general obligations of the Board but are special, limited obligations payable solely from revenues, funds and assets pledged under the Bond Resolution and not from any other revenues, funds or assets of the Board. The Bonds are not and do not create or constitute in any way an obligation, a debt or a liability of the State of Texas or create or constitute a pledge, giving or lending of the faith or credit or taxing power of the State of Texas.

In expressing such opinions we have considered litigation originally styled League of United Latin American Citizens (LULAC), et al. v. Ann Richards, et al., Cause No. 12-87-5242-A, filed in the 107th District Court, Cameron County, Texas, challenging the constitutionality of the higher education system of the State of Texas. In our opinion, such litigation does not affect the validity of the Bonds or modify the rights of the Bondholders to payment from the Interest of the System in the Available University Fund. Reference is made to the Official Statement for a more complete description of the litigation.

IT IS OUR FURTHER OPINION THAT:

(i) Interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes under existing law.

(ii) The difference between the amount payable at

maturity of each Bond maturing on July 1 of the years

(the "Original Issue Discount Bonds"), and the "issue price" of such Bond (based on the initial reoffering "yield" or "price" as stated in the Official Statement prepared for use in connection with the sale of the Bonds) is excludable from gross income for federal income tax purposes as original issue discount under existing law.

(iii) The Bonds are not "private activity bonds," within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except that interest on the Bonds will be included in "adjusted current earnings" of a corporation (other than any S corporation, regulated investment company, REIT or REMIC) for purposes of computing its alternative minimum tax and its Superfund "environmental tax" liability.

In providing the opinions set forth in paragraphs (i), (ii) and (iii) above, we have relied on representations of the Board and its authorized representatives with respect to matters solely within the knowledge of the Board which we have not independently verified, and we have assumed continuing compliance with the covenants in the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations are determined to be inaccurate or incomplete or the Board fails to comply with the foregoing covenants of the Bond Resolution, interest on the Bonds could become includable in gross income from the date of their original delivery, regardless of the date on which the event causing such inclusion occurs.

Purchasers of Original Issue Discount Bonds in the initial public offering are directed to the discussion entitled "TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS" set forth in the Official Statement prepared for use in connection with the sale of the Bonds for purposes of determining the portion of the original issue discount described in paragraph (ii) above which is allocable to the period such Bonds are held by a holder. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial public offering at the initial offering price may be determined according to rules which differ from those described above and in the Official Statement.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the ownership of,

receipt of interest on, or disposition of, the Bonds. Each prospective purchaser should consult his own tax advisor with respect to such matters.

Owners of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits (including tax-exempt interest such as interest on the Bonds).

On June 26, 1991 the Tax Simplification Bill of 1991, S. 1394/H.R. 2777, was introduced in the United States House of Representatives by Ways and Means Committee Chairman Rostenkowski and in the United States Senate by Finance Committee Chairman Bentsen (together with the ranking minority members of such Committees). If the 1991 Bill is enacted as currently drafted, for partnership taxable years ending on or after December 31, 1992, certain "large partnerships" may be required to include in the computation of taxable income at the partnership level tax-exempt interest, such as interest on the Bonds. Prospective purchasers of the Bonds who may be or become "large partnerships" should consult their tax advisors regarding the 1991 Bill.

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RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 10:30 a.m., the Board recessed for the meetings of the Standing Committees and Chairman Beecherl announced that at the conclusion of each committee meeting, the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Pages 197 - 207).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Beecherl reported to the Board for ratification and approval all actions taken by the Executive Committee since the last meeting. Unless otherwise indicated, the recommendations of the Executive Committee were in all things approved as set forth below:

1. U. T. System: Approval of 1993 Budget Policies and Limitations for General Operating Budgets, Auxiliary Enterprises, Contracts and Grants, Restricted Current Funds, Designated Funds, and Service and Revolving Funds Activities and Calendar for Budget Operations (Exec. Com. Letter 92-8).--Upon recommendation of the Executive Committee, the Board adopted the following Budget Policies and Limitations and Calendar for preparation of the 1993 Operating Budgets for The University of Texas System:

1993 Budget Policies and Limitations

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

In preparing the draft of the Fiscal Year 1993 operating budgets, the chief administrative officer of each component institution should adhere to guidelines and policies as detailed below. Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from:

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

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

Article V, Sec. 146. Employee Salary Increase

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

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

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

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

2. General Salary Policy (applicable to all fund sources) - Currently the State Comptroller has certified funds for a 2% salary increase in 1992. Funds required to sustain this 2% salary increase in 1993 should be reflected as a general revenue item (Transfer from Comptroller of Public Accounts) in the "Method of Financing" section of the operating budget. If additional funds are certified for salary increases in 1993, instructions will be issued at that time to accomplish such increases upon receipt of rules and funds transfers from the State Comptroller.

In limited cases, such as equity adjustments or contractual merit commitments, and subject to available resources, salary increases for faculty, administrative/professional staff and classified staff may be implemented with this budget submission. The following salary policy guidelines should be used to implement these limited increases.

- (a) Faculty Salary Policy - Subject to available funds, merit increases or advances in rank are to be on the basis of teaching effectiveness, research, and public service. Recognizing the expectations of the legislative leadership, institutions should strive, as a minimum, to sustain faculty salary levels reached in 1992.
 - (b) Administrative and Professional Salary Policy - Subject to available funds, merit salary increases may be granted to administrative and professional staff and are to be based on evaluation of performance in areas appropriate to work assignments. Increases for administrative and professional staff should not exceed that given on average to faculty and classified staff.
 - (c) Classified Personnel Salary Policy - Subject to available funds, merit salary increases may be granted to classified personnel and are to be based on evaluation of performance in areas appropriate to work assignments. Merit increases may be given only to individuals who will have been employed by the institution for at least six months as of August 31, 1992, and should be given in full step increments in accordance with the institutional pay plan.
3. New faculty positions are to be based on conservative estimates of enrollment increases. Total faculty staffing should be reviewed in terms of needed adjustments in work load or student faculty ratios and with sensitivity to funds available for merit increases.

4. New Administrative/Professional positions are to be requested only when absolutely justified by increased work loads and from funds available after merit salary increases are granted. Alternately, consolidation of administrative functions and/or elimination of administrative and professional positions is encouraged.
5. New classified positions are to be requested only when justified by increased work loads and from funds available after merit salary increases are granted.
6. Maintenance, Operation, and Equipment items are to be increased only as justified by expanded work loads, inflation, or newly developing programs.
7. Travel funds are to be shown as separate line items.
8. The requirements for Teacher Retirement and Optional Retirement are subject to the regulations and directives included in the General Appropriations Bill. This bill states in part:

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

"1. Teacher Retirement System

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

"2. Optional Retirement Program

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

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

To implement Rider 6, a line should be included under Staff Benefits for the difference in the optional retirement rate of 8.5% and the funded rate of 7.31%.

9. Staff Group Insurance Premiums

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

"2. Group Insurance, State Contributions

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

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

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

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

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

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

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

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

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

10. Budget Reductions and Strategic Plan Implementation - Article V of the General Appropriations Act contains several sections requiring budget reductions which may impact the 1993 operating budget. (A brief description of these riders follows.) Although implementation of these reductions awaits final instructions from the Comptroller, the maximum of such reductions (up to 7%) needs to be anticipated in preparation of the 1993 operating budget.

Additionally, since there are limited appropriated funds for FY 1993, each institution must carefully examine its current use of funds and consider all possibilities for reallocations which may cover Article V reductions and further implement the institutional plan. Any such reallocations, carry forward of funds already reserved, and any major allocations of new designated or restricted funds for mandated reductions and/or plan implementation should be summarized in the supplemental data submitted with the draft budget.

Since most immediate reduction accommodations will likely be of a short-term nature (reduction by attrition, deferral of maintenance or repairs, postponed purchases, etc.), give an indication in your supplemental data of more permanent adjustments (program elimination or phase outs, permanent work force reduction, etc.) being considered or actually implemented if these reductions have to be sustained over time or to accommodate higher strategic plan priorities.

Summary Article V Reductions

Sec. 122 - State Employee Incentive Savings/Revenues: This section requires the identification of spending reductions or savings in appropriations for the General Revenue Fund during the 1992-93 Biennium. The State Comptroller, using procedures, exceptions and methodology described in S. B. 111, 72nd Legislature, Regular Session shall determine the reduction that will be required of each institution.

Sec. 130 thru Sec. 134 requires additional reductions in appropriated funds based on consolidation and improvement of state services. The amount of reduction for each institution is being developed by the State Comptroller.

For further information see "Notice to State Agencies" from the Texas State Comptroller, Mr. John Sharp, dated November 21, 1991, Subject: Budget Reductions.

1993 OPERATING BUDGET CALENDAR

January 1992	U. T. Board of Regents' Approval of Policies (Executive Committee Letter)
April 1, 1992	<u>Seven</u> draft copies (bound) of Operating Budgets due to System Administration (including 7 copies of supplemental data)
April 20 - May 1, 1992	Operating Budget Hearings with System Administration
May 11, 1992	<u>Fifteen</u> copies of corrected Operating Budgets (bound) due to System Administration (with 2 copies of adjusted supplemental data as applicable)
May 29, 1992	Operating Budgets and Capital Budgets mailed to the U. T. Board of Regents
June 11, 1992	U. T. Board of Regents' Budget Meeting
June 19, 1992	<u>Fifty</u> copies of Operating Budgets (unbound) due to System Administration for binding

2. U. T. Austin: Appointment of Dr. George Kozmetsky as Initial Holder of the Murray S. Johnson Chair in Economics in the College of Liberal Arts Effective Immediately (Exec. Com. Letter 92-7).--The Executive Committee recommended and the Board appointed Dr. George Kozmetsky, Director of the IC² Institute and Professor in the Departments of Management and Computer Sciences at The University of Texas at Austin, initial holder of the Murray S. Johnson Chair in Economics in the College of Liberal Arts at U. T. Austin effective immediately.
3. U. T. Austin - The Michener 1990 Charitable Trust: Approval to Change Tax Year for the Trust and Amendment of Minutes from the February 1991 and August 1991 Meetings of the Board (Exec. Com. Letter 92-9).--At its August 1990 meeting, the U. T. Board of Regents accepted a gift and pledge from Mr. and Mrs. James A. Michener, Austin, Texas, to establish The Michener 1990 Charitable Trust at The University of Texas at Austin and accepted appointment as Trustees of the Trust. The Trust provides that all income of the Trust is to be paid out,

at least annually, to one or more institutions of higher education which conduct established writing programs. The donative instrument provides that recommendations related to potential institutional recipients will be forwarded to the Trustees by the President of U. T. Austin. U. T. Austin and other U. T. System component institutions are not eligible to receive Trust income during the term of the Trust, but upon termination of the Trust (ten years after the date of death of the second to die of Mr. and Mrs. James A. Michener), the entire corpus is to be distributed to the U. T. Board of Regents for the benefit of U. T. Austin.

For ease in administering this Trust, the Board, upon recommendation of the Executive Committee, changed the tax year for The Michener 1990 Charitable Trust, which currently ends at December 31, to coincide with the fiscal year end of August 31.

Further, the Minutes from the February 1991 and August 1991 meetings of the U. T. Board of Regents were amended to clarify any confusion which may arise concerning the approved schedule of income distributions from the Trust and the tax years to which they relate. Income distributions and the tax years to which they relate are as follows:

Tax Year Ending 12/31/90

- a. The University of Iowa: \$16,000 for two Paul Engle Fellowships
- b. The University of Houston: \$8,000 for the Donald Barthelme Fellowship

Short Tax Year Beginning 1/1/91 and Ending 8/31/91

- a. The University of Iowa: \$10,000 for the Iowa Writers' Workshop for a fellowship
- b. The University of Houston: \$10,000 for the Creative Writing Program for a fellowship

Tax Year Beginning 9/1/91 and Ending 8/31/92

- a. The University of Iowa: 75% of net income
- b. The University of Houston: 25% of net income

4. U. T. Austin - Energy Conservation Retrofit Work - Chilling Station No. 2 - Replacement of Chiller (U. T. Austin Project No. CU-1033): Award of Contract to Texas Industrial Mechanical, Inc., Austin, Texas, and Authorization for U. T. Austin Administration to Execute Contract (Exec. Com. Letter 92-6).--The Board, upon recommendation of the Executive Committee, awarded a construction contract for Energy Conservation Retrofit Work - Chilling Station No. 2 - Replacement of Chiller at The University of Texas at Austin to the lowest responsible bidder, Texas Industrial Mechanical, Inc., Austin, Texas, for the Base Bid and Alternate Bid No. 5 in the amount of \$1,701,731, and authorized the U. T. Austin Administration to execute the contract.

The total project cost for the Energy Conservation Retrofit Work is \$3,023,911 and is being funded by \$1,511,955 from an energy conservation grant from the Governor's Energy Office and \$1,511,956 from Educational and General Funds.

U. T. Austin will remove approximately \$60,000 from the contract by change order. This will allow the division of cost between the Art Building and Chilling Station No. 2 to remain consistent with the original grant applications. The work removed from the contract will be performed by University forces.

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

5. U. T. Austin - Communications Building "B" - Replacement of Exterior Metal Panels and Reroofing: Award of Construction Contract to Austin Rio Construction Company, Inc., Austin, Texas (Exec. Com. Letter 92-6).--Upon recommendation of the Executive Committee, the Board awarded a construction contract for the Replacement of Exterior Metal Panels and Reroofing for Communications Building "B" at The University of Texas at Austin to the lowest responsible bidder, Austin Rio Construction Company, Inc., Austin, Texas, for the Base Bid and Additive Alternate Bid No. 1A in the amount of \$1,754,000.

This project, which is included in the current Capital Improvement Plan and Capital Budget, is funded from General Fee Balances and was approved by the Texas Higher Education Coordinating Board in April 1991.

6. U. T. Austin - Energy Conservation Projects - Main Building and Business Complex: Acceptance of Energy Management Loan; Authorization for U. T. Austin to Manage Projects Including Appointment of Project Architect/Engineer; Submission of the Project to the Coordinating Board; and Approval of Final Plans, Bidding and Award of Contracts (Exec. Com. Letter 92-9).--The University of Texas at Austin made application for a loan in the amount of \$1,837,170 plus a 10% contingency for a total of \$2,020,887 from the Governor's Office Energy Management Center which oversees the LoanSTAR (Save Taxes and Resources) Program. Eleven energy conservation measures were recommended for the Main Building and Business Complex at U. T. Austin. The measures range from replacing light fixtures to the conversion of air handler units to variable volume and vent cycle controls. The estimated payback period is 3.1 years.

In accordance with the Governor's Office request that these projects be expedited to accelerate the payback and maximize the benefits of the loan program, the Board:

- a. Authorized U. T. Austin to accept an energy management loan from the Office of the Governor for energy conservation projects in the Main Building and Business Complex in the amount of \$2,020,887

- b. Subject to approval of the loan by the Governor's Energy Office, authorized U. T. Austin to manage the projects including appointment of Architect/Engineer, to submit the project to the Texas Higher Education Coordinating Board, and to approve final plans, bidding and award of all contracts.

If the work had not been funded under this program, only one of the eleven measures would have required approval at the Board level since all others have a projected cost of less than \$600,000. These projects are not in the current Capital Improvement Plan or the Capital Budget since they would not have required such approval and the loan program funding was not anticipated. The foregoing action amends these documents to include this new project.

7. U. T. Health Science Center - San Antonio: Asbestos Abatement for Building Roofs - Exhaust and Intake Air Flow System (Project No. 402-675) - Appointment of the Honorable James R. Meyers as Hearing Officer for Disputed Claim Under Asbestos Abatement Contract with Olmos Abatement, Inc. (OAI), Austin, Texas, and Authorization for Hearing Officer to Adopt Rules of Procedure for the Hearing, Employ Personnel to Conclude Such Hearing, and Present Findings and Recommendations to the Board (Exec. Com. Letter 92-4).--The University of Texas Health Science Center at San Antonio awarded a contract to Olmos Abatement, Inc. (OAI), Austin, Texas, in the amount of \$54,809 for removal and replacement of roofing materials on certain building roofs at the Owner's facility.

Olmos Abatement, Inc. completed the work 20 days late and was paid \$27,962.18 representing the contract amount less (a) \$10,000 of unused contingency allowance, (b) \$10,000 in liquidated damages for late completion, (c) \$5,375.13 for rain damage to the Owner's property caused by OAI's negligence, and (d) \$1,471.69 retainage not yet released because OAI's performance bond surety has not consented to the payment.

OAI has claimed that the specifications did not require removal of the old layer of mastic before application of the new layer of mastic and that the Owner's requirement that the old mastic be thus removed constituted extra work that was worth \$89,910.

In compliance with the "Disputes" clause in the contract which provides that the contractor "shall be afforded an opportunity to be heard and to offer evidence in support of his appeal to a person or persons appointed by the Board of Regents for such purpose," the Board:

- a. Appointed the Honorable James R. Meyers as Hearing Officer to represent the U. T. Board of Regents to hear a claim under the Disputes clause of an asbestos abatement contract with Olmos Abatement, Inc., Austin, Texas, related to the removal and replacement of roofing materials at the U. T. Health Science Center - San Antonio as part of the Exhaust and Intake Air Flow System project
- b. Empowered the Hearing Officer to adopt such rules of procedure for the hearing as he deems necessary

- c. Authorized the Hearing Officer, with the concurrence of the Vice Chancellor and General Counsel, to employ any personnel necessary to conclude such hearing in an expeditious manner
- d. Instructed the Hearing Officer, upon completion of testimony and receipt of all pertinent data, to present his findings and recommendations to the U. T. Board of Regents for a decision regarding the validity of the claim.

8. U. T. Health Science Center - San Antonio - Exhaust and Intake Air Flow System (Project No. 402-675): Approval to Increase Total Project Cost; Award of Alternate Bid No. 4 by Change Order to Universal City Construction, Inc., Universal City, Texas; Submission of Increase to the Coordinating Board; and Appropriation Therefor (Exec. Com. Letter 92-6).--The Executive Committee recommended and the Board:

- a. Authorized an increase in the total project cost of the Exhaust and Intake Air Flow System project at The University of Texas Health Science Center at San Antonio from \$3,710,695 to \$4,260,695
- b. Authorized award of Alternate Bid No. 4, Extension to Basic Science Building, by change order to the contract of Universal City Construction, Inc., Universal City, Texas
- c. Authorized submission of this increase to the Texas Higher Education Coordinating Board as required
- d. Appropriated \$550,000 from Permanent University Fund Bond Proceeds with the transfer of \$150,000 from Project No. 402-609 (Expansion of Clinical Science Teaching Space) and \$400,000 from project contingency in Project No. 402-666 (Robert F. McDermott Clinical Science Building).

The Exhaust and Intake Air Flow System project at the U. T. Health Science Center - San Antonio was designed to eliminate the possibility of exhaust air crossover into fresh air intakes causing odors and other forms of air pollution.

The contractor, Universal City Construction, Inc., has agreed to perform the additional work in Alternate Bid No. 4, which will extend the Exhaust and Intake Air Flow System to the Basic Science Building thus providing additional environmental protection to a significant portion of the campus, for the original bid price plus escalation and mobilization costs that have been determined by the Office of Facilities Planning and Construction staff to be reasonable.

This action amends the Capital Improvement Plan and the current Capital Budget accordingly.

The Texas Higher Education Coordinating Board approved the original project in April 1989 and extended its approval in October 1990. The Coordinating Board will be asked to approve this project increase through its campus planning committee process.

9. U. T. M.D. Anderson Cancer Center - Jesse H. Jones Rotary House International (Project No. 703-740): Award of Contracts for Furniture, Furnishings, and Equipment to Wilson Business Products, Systems & Services, Inc., Houston, Texas, and Monroe Schneider Associates, Houston, Texas (Exec. Com. Letter 92-5).--The Board, upon recommendation of the Executive Committee, awarded contracts for furniture, furnishings, and equipment for the Jesse H. Jones Rotary House International at The University of Texas M.D. Anderson Cancer Center to the following lowest responsible bidders:

Wilson Business Products,
Systems & Services, Inc.
Houston, Texas

Bid Package for:

Furniture, Furnishings, and
Equipment at Guest Rooms
(Levels 3 through 11)

Base Bid \$ 727,819.36

Additive Alternates:

Draperies and Comforters	\$ 73,437.04
Night Stands	2,628.80
Armoires in lieu of Credenzas	25,771.50
Safes and Ice Machines	87,157.44
Lamps and Sideboards	<u>13,338.36</u>

Total Additive Alternates 202,333.14

Total Bid Package 930,152.50

Bid Package for:

Furniture, Furnishings, and
Equipment at Public Areas
(Levels 1 and 2 and Mezzanine)

Base Bid 257,948.25

Additive Alternates:

Patio Tables and Chairs	4,641.51
Pool Area Seating	9,188.91
Piano/Dining Area	<u>17,787.60</u>

Total Additive Alternates 31,618.02

Total Bid Package 289,566.27

Total Contract Award to Wilson
Business Products, Systems &
Services, Inc. 1,219,718.77

Monroe Schneider Associates
Houston, Texas

Bid Package for:

Carpet 220,790.00

GRAND TOTAL CONTRACT AWARDS \$1,440,508.77

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 208 - 222).--Committee Chairman Loeffler reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 62 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 62 in the form distributed by the Executive Secretary. It is attached following Page 307 in the official copies of the Minutes and is made a part of the record of this meeting.

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

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

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendment to Chapter III, Section 5 [Appointment of Relatives (Nepotism Rule)].--Pursuant to action by the 72nd Texas Legislature which changed the existing nepotism statute from a common law to a civil law method, the Board amended the Regents' Rules and Regulations, Part One, Chapter III, Section 5 regarding the appointment of relatives (nepotism rule) by deleting the present nepotism chart (Table 1 as referenced in Subsection 5.22) and inserting in lieu thereof the nepotism chart set out on Page 209.

This redefinition of nepotism is less restrictive than the former law in the provisions regarding the degrees of consanguinity.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval to Amend Chapter I, Section 6 (Policy Against Discrimination).--Upon recommendation of the Academic Affairs, Health Affairs, and Business Affairs and Audit Committees, approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter I, Section 6 regarding the policy against discrimination to read as set forth below:

Sec. 6. Policy Against Discrimination.--To the extent provided by applicable law, no person shall be excluded from participation in, denied the benefits of, or be subject to discrimination under, any program or activity sponsored or conducted by the System or any of its component institutions, on the basis of race, color, national origin, religion, sex, age, veteran status, or disability.

This amendment reflects the new terminology found within the Americans with Disabilities Act (ADA) of 1990, which became applicable to state and local governments on January 26, 1992. The ADA prohibits discrimination against individuals with disabilities and requires accommodations to disabilities in employment, public services, transportation and telecommunications.

4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter XI (Contracts and Grants).--In accordance with the passage of House Bill 39 by the 72nd Texas Legislature, Second Called Session, which calls for the governing board to adopt specific rules for the approval of written contracts or agreements between institutions within the same system, the Board amended the Regents' Rules and Regulations, Part Two, Chapter XI regarding contracts and grants by adding a new Section 8 to address contracts and agreements between institutions of The University of Texas System to read as set forth below:

Sec. 8. All contracts or agreements for the furnishing of resources or services between institutions of The University of Texas System shall have the advance approval of the chief administrative officer of each institution and be ratified by the Board via the institutional dockets. The Vice Chancellor for Business Affairs shall issue more detailed instructions on further approval procedures, reporting and contract form as may be necessary.

All contracts shall provide for the recovery of the full cost of services and resources furnished.

It was noted that the Vice Chancellor for Business Affairs will issue an amendment to Business Procedures Memorandum (BPM) Number 47 on interagency contracts to provide more detailed instructions and specify a standard form for such agreements.

The BPM will maintain the streamlined approval process for standard interagency contracts and the requirement for appropriate administrative approval prior to execution if the proposed contract is nonstandard or involves policy or program changes.

5. U. T. System: Approval of Model Parking and Traffic Regulations and Authorization for Appropriate Executive Vice Chancellor to Approve Nonsubstantive Changes Therein.--Upon recommendation of the Business Affairs and Audit Committee, the Board approved the model Parking and Traffic Regulations for The University of Texas System component institutions as set forth on Pages 211 - 222.

Further, the appropriate Executive Vice Chancellor was authorized to approve nonsubstantive changes to these model regulations following review by the Vice Chancellor for Business Affairs and the Office of General Counsel.

Substantive changes to the regulations will be reported in the institutional dockets in summary form. Proposed changes to parking or enforcement fees will continue to be submitted to the U. T. Board of Regents via the agenda.

MODEL PARKING AND TRAFFIC REGULATIONS

1992 Version

SECTION I QUICK REFERENCE TO PARKING AND TRAFFIC REGULATIONS

1. PERMITS REQUIRED FOR ACCESS & PARKING: Only vehicles conspicuously displaying proper University permits (as specified in Section VI, infra) may enter or park on the campus (as shown by the boundaries on the map accompanying the regulations) Monday through Friday from _____ a.m. to _____ p.m.
2. DISPLAY OF PERMITS: Parking permits must be properly affixed to the vehicle(s) as described in Section VI. Permits which are taped or affixed by unauthorized materials will subject the holder to a citation. Additionally, the permit will be revoked and the holder may lose all parking privileges (Section VIII, infra).
3. SURRENDER OF PERMITS: Permits shall be surrendered when there is a change of vehicle ownership; when association with the University is terminated; when a replacement permit has been issued to take the place of a previously issued permit; or upon expiration or revocation (Section VI).
4. (DISCUSS SPECIFIC CLASSES OF PERMITS.)
5. (DISCUSS PERMIT RESTRICTIONS AS APPROPRIATE.)
6. LOADING ZONE PERMITS: A Loading Zone permit is required to use these spaces/areas Monday through Friday from _____ a.m. to _____ p.m. unless otherwise posted. Permits (normally valid for _____ minutes) may be obtained from the _____.
7. BICYCLE REGISTRATION: Bicycles operated or parked on the campus shall be registered with the University Police Department. Contact UTPD at _____ for registration.

8. BICYCLES, MOPEDS (MOTOR-ASSISTED BICYCLES) AND SKATES: Bicycles and mopeds must be operated in accordance with, and skaters must conform to, the ordinances of the City of _____, the specific applicable provisions of these regulations, all provisions of these regulations concerning parking restrictions and traffic control (Section IV, infra) and applicable state law.
9. PARKING LOTS: On occasion during the year, certain parking lots may be closed by the Parking Committee, Chief of Police, the President of the University, and/or by the President's designee.
10. SPEED LIMIT: The speed limit on all parts of the campus, whether on streets or in parking areas, is _____ mph unless otherwise posted (Section IV, infra).
11. POSTED SIGNS: Posted signs, whether permanent or temporary, must be obeyed at all times and take precedence over painted curbs, pavement markings and designations shown on any University maps.
12. PARKING IMPROPERLY: A vehicle shall not park on a street or parking lot where angle parking is required, with the back of the vehicle toward the curb or car stop, nor shall a vehicle be parked opposite the flow of traffic in the traffic lane where parallel parking is required. Parking wholly within the marked boundaries of the parking space is required at all times. Vehicles shall not park in a manner that obstructs walkways, driveways, ramps, loading docks, marked cross-walks or inflicts damage to shrubbery, trees, grass, grounds or structures. Additionally, no vehicle may park on any unmarked or unimproved ground area which has not been marked or designated for parking. Other improperly parked vehicles do not constitute an excuse for improper parking.
13. ENFORCEMENT AND IMPOUNDMENTS: Failure to abide by these regulations may be the basis for disciplinary action against students and faculty/staff (Sections V and VIII, infra). Upon notice, violators may be subject to impoundment of their vehicle(s) pending payment of overdue charges (Section VIII, infra). Students may also be barred from readmission and have grades, degree, refunds or official transcripts withheld pending payment of overdue charges (Section VIII, infra). Vehicles may also be impounded for specific impound violations.
14. APPEAL OF CITATION: University parking and traffic citations may be appealed, within _____ working days from date of citation, by filing a Citation Appeal Form with the _____ Office (See Section VIII for detailed procedures). Court Appearance citations are handled by the appropriate state or municipal court.
15. VISITORS: All visitors need permits to park on campus UNLESS parked at _____. [Optional: OFFICIAL VISITORS are those who conduct business with or who render a service to the University and who are not otherwise eligible for annual parking permits. Official visitors may obtain temporary parking permits from the guards at the traffic control stations. These permits entitle the holder to park only in a space designated "Official Visitor."] Permits must be conspicuously displayed on _____ (Section VI, infra).

16. PEDESTRIAN RIGHTS AND DUTIES: Pedestrians must obey all traffic control devices. They have the right-of-way at marked crosswalks, in intersections and on sidewalks extending across a service drive, building entrance or driveway. Pedestrians crossing a street at any point other than within a marked crosswalk or within an unmarked crosswalk at an intersection shall yield the right-of-way to all vehicles on said street. Pedestrians shall not leave the curb or their place of safety and walk or run into the path of a vehicle which is so close that it is impossible for the driver to yield. Pedestrians may cross an intersection diagonally only where permitted by special pavement marking.
17. INOPERABLE VEHICLES: If a vehicle becomes inoperable, a telephone call shall be placed to the University Police Department at _____. The police will either render assistance or authorize temporary parking. Temporary parking shall not exceed 24 hours and must not create an obstruction or hazard.
18. Ownership of the permit remains with the institution and is not transferrable.

SECTION II GENERAL PROVISIONS

Pursuant to the authority granted by Sections 51.201 et seq., 54.005, 54.503, 65.31 and (insert specific statute for each component available from Office of General Counsel) of Title 3 of the Texas Education Code, the Board of Regents of The University of Texas System promulgated Parking and Traffic Regulations to regulate and control parking and traffic and the use of parking facilities, to provide for the issuance of parking permits, and to provide for jurisdiction over offenses. This booklet contains those regulations and procedures applicable to any person who walks or drives and parks a motor vehicle or bicycle on the campus of The University of Texas _____. These rules and regulations are supplementary to the ordinances of the City of _____ and the statutes of the State of Texas which govern pedestrians and the use of motor vehicles and bicycles.

The operating of a motor vehicle or bicycle on The University of Texas _____ campus is a PRIVILEGE granted by the University and is not an inherent right of any faculty/staff member or student. All faculty, staff and students who have motor vehicles in their possession or control for use, operation or parking on the University campus must apply for a permit with the _____ Office. Purchasing a parking permit does not guarantee a parking place on campus.

The University is not responsible for fire, theft, damage to, or loss of vehicles parked or operated on the University campus. No bailment is created by granting of any parking or operating privileges regarding a vehicle on any property owned, leased or otherwise controlled by the University.

The administration and enforcement of the regulations contained in this booklet are as follows:

DESCRIBE APPLICABLE INSTITUTIONAL PARKING AND TRAFFIC COMMITTEE.

DESCRIBE APPLICABLE INSTITUTIONAL PARKING AND TRAFFIC APPEALS PANEL.

DESCRIBE APPLICABLE INSTITUTIONAL PARKING AND TRAFFIC ADMINISTRATION OFFICE.

UNIVERSITY POLICE: The University Police have the responsibility and the legal authority for the enforcement of the Parking and Traffic Regulations listed in this booklet. University police officers may issue University citations or Court Appearance citations ENFORCEABLE IN COURT (See Section VIII). On special occasions and emergencies, such parking limitations may be imposed by the Chief of Police as are required by the conditions which prevail. When conditions warrant such action, the Chief may waive parking limitations.

The University reserves the right to enforce parking and traffic regulations:

1. through the issuance of University citations and the collection of administrative enforcement charges for offenses;
2. through the impoundment of vehicles interfering with the movement of vehicular or pedestrian traffic or blocking a sidewalk, loading dock, ramp, cross-walk, entrance, exit, fire lane or aisle and through the impoundment of vehicles for unpaid charges after proper notice as provided by these regulations;
3. by the suspension or revocation of permits;
4. by requiring either the vehicle owner or operator or the person who purchased the permit to appear in court or at a University hearing for nonpayment of outstanding charges;
5. by barring the readmission and withholding grades, degree, refunds and official transcript of any student for nonpayment of outstanding charges;
6. by disciplinary action against employees or students who fail to abide by these regulations;
7. by denying parking permits to those with overdue charges;
8. by the issuance of Court Appearance citations requiring an appearance in the appropriate state or municipal court; and
9. by such other methods as are commonly employed by city governments or state agencies in control of traffic regulation enforcement.

Proof of the fact that any parking or traffic control device, sign, parking meter, signal or marking was actually in place at any location on campus of The University of Texas shall constitute prima facie evidence that the same is official and was installed under the authority of applicable law and these regulations.

When any person is charged with having stopped, parked and left standing a motor vehicle on the campus of The University of Texas _____, in violation of any provision of the Parking and Traffic Regulations of The University of Texas _____, proof that said vehicle was, at the date of the offense, bearing a valid University of Texas _____ parking permit shall constitute prima facie evidence that said vehicle was then and there stopped, parked and left standing by the holder of the parking permit. However, if the vehicle does not bear a valid University of Texas _____ parking permit, proof that said vehicle at the date of the offense alleged, was owned by an individual is prima facie proof that said vehicle was then and there stopped, parked and left standing by said individual.

The University assumes no responsibility for any vehicle or any duty to protect any vehicle or its contents at anytime the vehicle is operated or parked on the campus.

The University may deem a motor vehicle including a motorcycle, motor scooter, moped or bicycle parked on the University campus for more than 48 hours without a valid permit to be abandoned and may dispose of such vehicle as provided in Section 10 of Chapter VII, Part Two of the Regents' Rules and Regulations.

SECTION III
DEFINITIONS
(AS APPROPRIATE)

(Including definition of "motor vehicle" to include motorcycle and motor scooter.)

SECTION IV
GENERAL TRAFFIC REGULATIONS
(INCLUDE SPEED LIMITS)

SECTION V
PARKING REGULATIONS

The various classes of parking permits and their eligibility requirements, privileges and limitations are described in detail in Section VI.

Parking and traffic regulations on campus are in effect at all times.

Failure to abide by parking and traffic regulations may be the basis for disciplinary action against students and employees. Students may be subjected to penalties ranging from disciplinary probation to expulsion from the University as outlined in the Rules and Regulations of the Board of Regents of The University of Texas System, Part One, Chapter VI.

Employees may be subjected to disciplinary penalties including termination of employment as outlined in Section _____ of the HANDBOOK OF OPERATING PROCEDURES. (Optional: When an employee has accumulated three or more unpaid parking or traffic violations and/or charges of \$ _____ or more, the employee's Dean, Director, or Administrative Official shall be notified by _____.) When a student is placed on the bar list for unpaid parking or traffic violations, the Dean of Students shall be notified by the _____.)

SECTION VI
PARKING PERMITS

- A. FACULTY AND STAFF: A parking permit will be issued upon application and payment of parking fee to the _____ Office located _____. (Optional: Include language regarding purchase of additional permits.)
- B. STUDENTS: A parking permit will be issued upon application and payment of the parking fee to the _____ Office located _____. In addition, students must present a paid fee receipt for the current semester. (Optional: Include language regarding purchase of additional permits.)
- C. DISPLAY OF PERMITS: Permits shall be affixed on the vehicle according to the instructions furnished on the permit. Failure to follow instructions concerning affixing the permit will result in citations being issued.
- D. REMOVAL OF PERMITS: Permits shall be removed:
1. when association with the University is terminated;
 2. when a replacement permit has been issued to take the place of a previously issued permit; or
 3. upon expiration or revocation of the permit.
- E. CLASSES OF PERMITS AND ANNUAL FEES:
- [List in detail permits and applicable fees.]
- [Include a class of permit for motorcycles and motor scooters, sample as follows:

Parking:

1. Motorcycles and Motor Scooters may park in _____.
2. Motor-Assisted-Bicycles and Mopeds (with a total engine displacement of less than 50cc) may park in _____.

NOTE: Motorcycles, Motor Scooters, Mopeds and Motor-Assisted-Bicycles shall NOT be parked or otherwise secured in unauthorized places such as sidewalks, posts, railings, or trees. These vehicles may not park in spaces marked for passenger cars or trucks.

Operation:

Motorcycles, Motor Scooters, Mopeds and Motor-Assisted-Bicycles shall NOT be ridden or operated on pedestrian walkways or sidewalks. On University streets, operators shall comply with ALL traffic control devices, e.g. one-way signs, stop signs, etc.]

[Include reference to special "Disabled" plates and devices as follows:

All disabled veterans whose vehicles display the specially designed license plates issued by the State Department of Transportation with the words "DISABLED VET" printed thereon in accordance with the provisions of Article 6675a-5e, Texas Revised Civil Statutes Annotated and all permanently

disabled persons whose vehicles display the specially designed symbols, tags or other devices (to include a vehicle in which a temporarily disabled person identification card is placed in the lower left-hand side of the front windshield) issued by the State Department of Transportation with the word "DISABLED" printed thereon in accordance with the provisions of Article 6675a-5e.1, Texas Revised Civil Statutes Annotated are exempt from parking permit fees and from parking meter fees and time limits. These exemptions permit parking only in spaces where parking would otherwise be appropriate and do not permit the parking of a vehicle at a place where parking is restricted or prohibited.]

- F. DESCRIBE ALL OTHER TYPES OF PERMITS ISSUED, INCLUDING TEMPORARY PERMITS.
- G. PAYMENT OF FEES: When an application is made for a permit, the fee charged will be for a complete year or for the entire unexpired portion of the University's permit year. Payment of the fee must be made before the permit will be issued.
- H. REPLACEMENT CHARGES: Any time a replacement permit is issued, there will be a \$_____ charge made. Remnants of old permits (or the entire hanging permit) must be returned at that time. If remnants (or the permit) are not returned, replacement permit(s) will be at the REGULAR RATE. (Defective card keys will be replaced without charge if the card is returned within five working days from date of issue. Replacement cards for any other reason will require the payment of a \$_____ charge.)
- I. REFUNDS: A request for refund will not be honored unless it is filed with the _____ Office during the University's fiscal year in which payment for the permit was made. A request for refund must be accompanied by the remnants of the appropriate permit. Refunds will be made to members of the faculty and staff upon request and only in the event service is terminated by a resignation or leave of absence without pay. The refund will be based on the number of full months remaining in the University's permit year. No refunds will be made after the end of the spring semester. Refunds will be made, upon request, to students who withdraw from the University at the end of the fall semester, but refunds will not be made to students who withdraw from the University at the end of the spring semester. A request for a refund will not be honored when a person's privilege to park and drive on campus has been suspended nor if outstanding charges or other debts remain unpaid. [Optional: Requests for refunds of the entire amount paid will be subject to a \$_____ administrative and handling charge.]

SECTION VII
DRIVING AND PARKING OFFENSES

(DESIGNATE OFFENSES AND CAREFULLY DESIGNATE IMPOUND VIOLATIONS.)

SECTION VIII
ENFORCEMENT

- A. PARKING AND TRAFFIC CITATIONS: University Police are authorized to issue two types of citations for violation of University parking and traffic regulations:
1. UNIVERSITY CITATIONS - Those handled by the University, subject to University administrative enforcement charges and a right to appeal within the University (Paragraph E below).
 2. COURT APPEARANCE (CA) CITATIONS - Those issued by the University Police constituting a summons to appear in either municipal court or a justice court.
- B. POLICY WITH RESPECT TO COURT APPEARANCE (CA) CITATIONS: The University reserves the right to issue a CA citation for any violation. It is the general policy of the University, however, to issue CA citations at the University's option as follows:
1. for moving violations;
 2. for any violation when the individual's driving or parking privileges has been suspended (See Paragraph E below); or
 3. when an individual receives a University citation and all reasonable attempts at collection have failed.
- C. PROCEDURE FOR UNIVERSITY CITATIONS: University citations are issued for offenses described in Section VII. The administrative enforcement charges are as shown. (Optional: If the charge is not paid within _____ calendar days after issuance of the citation, a \$ _____ late charge will be assessed.)

Every person receiving a University citation shall remit the amount of the charge to the _____ Office. Payment must be received within _____ calendar days after issuance of the citation (Optional: To avoid a late charge).

If a person desires to appeal a University citation, he/she shall comply with Paragraph E below within _____ calendar days after issuance of the citation. Requests for exceptions to the appeal deadline will be considered on an individual basis, if mitigating or unusual circumstances exist. Such requests shall be submitted in writing to the _____ and shall detail the reason(s) such a request is being made. Requests based solely on alleged nonreceipt of a copy of the citation will not be honored.

When Court Appearance citations are issued, the University citations will be cancelled. Failure to discharge CA citations may result in the issuance of a warrant for the arrest of such person.

Persons with unpaid charges recorded in their names shall be ineligible to receive parking permits while such charges remain unpaid. To obtain a permit, a person shall either pay the charge or timely request a University hearing.

- D. ENFORCEMENT: When unpaid charges are recorded, the _____ Office shall send a certified letter, return receipt requested, to the last known address of the person in whose name the charges are recorded.

Such letter shall state that unless (1) payment of all accumulated charges is made within _____ calendar days after the date of such letter or (2) a written request is made within _____ calendar days to appear before a University hearing committee concerning impoundment of the vehicle in case of faculty, staff, student or visitor, or for barring of readmission and/or withholding of grades, degree, official transcript and refunds in the case of students as authorized by the Regents' Rules and Regulations, Part One, Chapter VI, Section 9 and state law, the appropriate enforcement action will take place without further notice.

Such a hearing is not an appeal of the Parking and Traffic citations but is a limited hearing to allow the individual an opportunity to show that the vehicle in question was not owned, registered or used by the individual or to show that the individual receiving notice of impending sanctions does not have unpaid parking and traffic charges.

At such hearing, which will be held after a reasonable period of time, the person requesting the hearing will assume the burden of showing why the appropriate enforcement action should not take place.

1. IMPOUNDMENT: If timely payment is not received and either the registered owner, the vehicle operator or the person who was issued the permit has failed to appear at the requested University impoundment hearing or has appeared and has failed to meet his or her burden of proof, the vehicle may be impounded pending payment of all outstanding charges, including towing and storage charges, without further notice.

PROCEDURE FOR IMPOUNDMENT: The term "impoundment" includes towing, removal, immobilization, and storage of the vehicle in question.

In addition to any charge that may be levied by the University for an offense resulting in removal or immobilization, the owner of an impounded vehicle must also pay a commercial wrecker service fee and storage charges. When an IMPOUND VIOLATION occurs and the owner or driver of the vehicle appears on the scene before the arrival of the wrecker, the vehicle will not be impounded. If the owner or driver appears on the scene after the arrival of the wrecker and the wrecker driver has made a hookup, the following will apply:

- a. the vehicle will not be impounded; and
- b. the owner or driver will be expected to pay the wrecker a fee, in lieu of towing.

If the vehicle is impounded, the registered owner or permit holder will be sent notice at the address on file with the _____ Office.

2. BAR AGAINST READMISSION AND WITHHOLDING OF GRADES, DEGREES, OFFICIAL TRANSCRIPTS AND REFUNDS: If timely payment is not received from a student and the student has failed to appear at the requested hearing or has appeared and has failed to meet his or her burden of proof, the student may be barred from readmission and grades, degree, official transcript and refunds may be withheld, without further notice. (Additionally, the vehicle registered to the student may be subject to impoundment.)

E. APPEALS FROM UNIVERSITY CITATION(S): Any person who has received a University citation may file a request to have the citation reviewed. This appeal must be filed with the _____ Office not later than _____ calendar days after the citation was issued. If an appeal is not filed within this time, the citation is deemed final.

Appeals shall be prepared in writing on the "Citation Appeal" form provided by the _____ Office. Appeals may be based solely on the written statement or the appealing party may also request a personal appearance. Failure to request a personal appearance or failure to appear at the hearing (as requested) will result in the decision being rendered on the basis of the written statement (including any supporting material submitted) and the information as shown on the citation(s).

Each "Citation Appeal" form will be reviewed by _____ for a decision and the appealing party will be notified, in writing, of the decision. The _____ may order the payment of the administrative enforcement charge(s) in whole or in part or the cancellation of such charge(s). [Optional: If the appeal is denied and the appealing party fails to pay the charge(s) or to request a review of the appeal (See Paragraph F below) within _____ calendar days after date of notification, a \$ _____ late charge will be assessed on the citation(s).]

F. REVIEW OF APPEAL FROM UNIVERSITY CITATION(S): Any person who has appealed a University citation(s) and who is not satisfied with the decision by the _____, may have the decision reviewed by the (University Parking and Traffic Appeals Panel). Such request shall be submitted in writing to the _____ Office within _____ calendar days from the date of the original decision.

This written request shall set forth the grounds on which the appealing party believes the decision was improper or inequitable. Such written request shall be submitted in an original plus _____ legible copies and include the following:

1. citation number(s);
2. license number of vehicle(s);
3. date of notification of original decision;
4. date review requested; and
5. printed or typed name, address, and signature of person requesting the review.

Each review will be considered by a (University Appeals Panel) consisting of faculty, staff and student members. The Panel may uphold the decision of the _____ or may reverse the decision in whole or in part, as deemed appropriate.

The decision of the (University Appeals Panel) shall be final.

- G. SUSPENSION OF PRIVILEGE TO DRIVE AND PARK ON CAMPUS: The loss of the privilege of driving or parking a motor vehicle on campus shall commence _____ calendar days after the _____ Office mails a letter to the person, at the address of such person as shown in the records of that office, stating that such person's privilege of driving or parking a motor vehicle on campus has been suspended. Such letter shall state the term of the suspension and will give notification of possible impoundment for parking offenses committed during the period of suspension and shall state the reason for such suspension.

Any person who (a) forges or alters a permit; (b) uses a forged or altered permit; (c) transfers a permit, uses a permit not purchased by the individual, or fails to destroy a permit when required to do so by these regulations with the intention of providing any person with parking privileges he/she is not entitled to under these regulations; (d) provides false information to obtain a parking permit with knowledge thereof; or (e) parks or drives a vehicle using a permit which the individual did not purchase, shall lose the privilege of driving or parking on the University campus for six months. While a person's privilege of driving or parking a vehicle on campus is suspended, it is unlawful (1) for that person to drive or park any motor vehicle on the campus and (2) for any person to drive or park a vehicle using a permit purchased by such person on the campus.

If a person whose privilege of driving or parking on campus has been suspended receives a University citation by reason of having a vehicle on campus during the period of his/her suspension, the period of suspension shall be extended so that it expires twelve months from the date the person received such additional citation. In addition, the violations of the suspension shall be reported to the Dean of Students if the person is a student or to the appropriate Dean, Director or Administrative Official for possible disciplinary action if the person is a faculty or staff member.

A person receiving notice that his/her privilege of driving or parking a vehicle on campus has been suspended may appeal the suspension within twelve calendar days on the grounds that the imposition of such suspension is improper or will create serious and substantial hardship. Such appeal shall be governed by the provisions of Paragraph D above. No appeal shall be considered if there are any unpaid citations outstanding at the time such appeal is filed, unless special arrangements are made with the _____ Office.

- H. DESTRUCTION OF PERMIT WHEN SUSPENDED: Every person receiving notice that his/her privilege of driving or parking on the campus has been suspended shall return the remnants of the permit issued (or the entire hanging permit) to the _____ Office within twelve days after date of such notice. Failure to do so shall be reported to the Dean of Students if the person is a student or to the appropriate Dean, Director or Administrative Official if the person is a faculty or staff member.
- I. ELIGIBILITY TO OBTAIN NEW PERMIT DURING PERIOD OF SUSPENSION: A person whose privilege of driving and parking on the campus is suspended and not reinstated shall be ineligible to receive a parking permit of any type during the period of suspension.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 223 - 253).--Committee Chairman Barshop reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Arlington: Establishment of Differential Graduate Tuition Rates for School of Urban and Public Affairs, School of Nursing, and the Center for Professional Teacher Education and Approval of Changes in Previously Approved Differential Graduate Tuition Rates Effective with the Fall Semester 1992 (Catalog Change).--Section 54.008 of the Texas Education Code provides that governing boards of institutions of higher education may set differential tuition rates for graduate programs in an institution provided that such rates are at least equal to the minimum rates established by statute and not more than double the statutory rate.

In accordance therewith, the Board, upon recommendation of the Academic Affairs Committee, established differential graduate tuition rates for the School of Urban and Public Affairs, the School of Nursing, and the Center for Professional Teacher Education and authorized changes in previously approved differential graduate tuition charges for the College of Business Administration, College of Engineering, School of Architecture, and School of Social Work at The University of Texas at Arlington effective with the Fall Semester 1992 as set out below:

	<u>Graduate Tuition Rate*</u> <u>1992-93</u>
<u>School of Urban and Public Affairs</u>	
Resident	\$ 48
Nonresident	172
<u>School of Nursing</u>	
Resident	48
Nonresident	172
<u>Center for Professional Teacher Education</u>	
Resident	48
Nonresident	172
<u>College of Business Administration</u>	
Resident	48
Nonresident	172
<u>College of Engineering</u>	
Resident	48
Nonresident	172
<u>School of Architecture</u>	
Resident	48
Nonresident	172
<u>School of Social Work</u>	
Resident	48
Nonresident	172

* Amount per semester credit hour of registration

Priority uses for the additional funds derived from the differential tuition charges are to provide financial support for students who could not otherwise meet new tuition costs and for faculty support or other academic programs.

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

2. U. T. Austin: Permission for Mr. Max Sherman and Dr. Ray Marshall to Serve as Members of the National Commission on the State and Local Public Service [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was given for Mr. Max Sherman, Dean of the Lyndon Baines Johnson School of Public Affairs, and Dr. Ray Marshall, holder of the Audre and Bernard Rapoport Centennial Chair in Economics and Public Affairs at The University of Texas at Austin, to serve as members of the National Commission on the State and Local Public Service. Dean Sherman and Dr. Marshall will serve on this Commission without compensation.

This 27-member Commission was formed to examine critical issues facing state and local government and to address key questions about the structure and operations of the management systems of state and local government, barriers to effective management and reforms to improve state and local government management.

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

3. U. T. Austin: Authorization to Establish a Ph.D. Degree in Architecture and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--Upon recommendation of the Academic Affairs Committee, authorization was given to establish a Ph.D. in Architecture degree at The University of Texas at Austin and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition to approval of the degree program, the Coordinating Board will be asked to change the U. T. Austin Table of Programs to reflect approval of the degree program.

The Ph.D. program in Architecture will provide advanced training for students in the history of architecture and a range of subjects that relate to or emanate from the history of architecture. History of architecture is conceived broadly to include areas such as the histories of theory, design, urban design, settlement and cities, landscape, and technology.

The doctoral program will build on the existing Master of Science in Architectural Studies (M.S.A.S.) with an emphasis in history and theory offered by the School of Architecture and on existing doctoral programs in related fields of American civilization, art history, classics,

engineering, history, and psychology. While concentrating on training teachers and researchers for positions in higher education, the program will also provide its graduates with doctoral credentials necessary for positions that require or will be enhanced by advanced training, such as specialized consultants to architectural and planning firms, governmental agencies, or private industry or as architectural librarians, museum curators, and archivists.

By building on the existing Master of Science in Architectural Studies and the Ph.D. programs in various other related disciplines, the program will incorporate experienced graduate faculty members in the design and implementation of the students' programs of study. Except for a new architectural colloquium course and the dissertation course, all of the courses for the program already exist. Quality standards for the individual courses in the program are already well established and faculty who will supervise the dissertation are already qualified and experienced at the doctoral level. The School of Architecture has utilized outside consultants from other leading doctoral programs to advise them in the preparation of the curriculum and will follow all of the established procedures for doctoral programs administered by the Graduate School at U. T. Austin.

The program will not require an expansion of faculty since the only additional effort will be the supervision of dissertations and the offering of one colloquium course. These additional requirements will be accommodated by the internal reallocation of work load among the existing faculty. A one-half time secretarial position will be needed to implement the program and will be provided through internal reallocation. Library resources to support the program are strong and no special equipment is required.

This Ph.D. degree program is consistent with U. T. Austin's broad-based statewide mission and its plans for offering a full range of quality degree programs to meet student needs.

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

4. U. T. Austin: Establishment of a Master of Fine Arts Degree in Writing and Authorization to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--A Master of Fine Arts degree program in Writing was established at The University of Texas at Austin and authorization was given to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

The Master of Fine Arts degree in Writing is a sixty-hour interdisciplinary program with an emphasis both on writing and on the study of literature. Students will be required to work in two of the following areas: creative writing (poetry and fiction), screenwriting, and playwriting.

The interdisciplinary nature of the program will be reinforced by a fifteen-hour common course core and a comprehensive examination requirement and students will also be required to produce a project thesis or report in their primary department.

Need for the program has been demonstrated by the strong interest of the first generation of Michener Fellows who are now pursuing more traditional degrees in one of the three cooperating departments. Enrollment at the end of the fifth year of the program is projected to be 16 students, substantially fewer than the number of qualified applicants. Graduates may be expected to find employment in a variety of teaching positions or in other professional writing positions.

Admission to the program is expected to be highly competitive and will be based primarily on the quality of a writing portfolio submitted by applicants. In addition to highly-motivated and well-qualified students, the resources, the academic culture, and the organizational structure required to ensure a high quality program are in place. The program draws on faculty and courses from three strong departments with existing graduate programs in writing.

Because all of the instruction for this degree program will be provided through existing courses, the additional cost to the institution for operating this program is modest and will be covered by internal reallocations within the budgets of the three participating departments and the Texas Center for Writers.

This program is consistent with U. T. Austin's approved Table of Programs and the Strategic Plan.

Upon Coordinating Board approval, it was ordered that the next appropriate catalog published at U. T. Austin be amended to reflect this action.

5. U. T. Austin: Authorization to Name Room 4.148 in the Chemical and Petroleum Engineering Building in the College of Engineering the Texaco Steamflooding Lab (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, Room 4.148 in the Chemical and Petroleum Engineering Building, Department of Petroleum Engineering, College of Engineering at The University of Texas at Austin was named the Texaco Steamflooding Lab.

The naming of this lab is in recognition of a gift to the College of Engineering from the Texaco Foundation of White Plains, New York, in cooperation with Texaco Latin America/West Africa of Coral Gables, Florida.

See Page 269 related to establishment of the Texaco Steamflooding Lab Endowment.

6. U. T. Austin: Approval of Voluntary Student Services Fees Effective with the Fall Semester 1992 (Catalog Change).--Upon recommendation of the Academic Affairs Committee and in accordance with Sections 54.513 and 54.514 of the Texas Education Code, the Board approved Voluntary Student Services Fees at The University of Texas at Austin to be effective with the Fall Semester 1992 as set out below:

	1992-93 Fee	
	Academic Year	Spring Semester
Athletics	\$57.00	\$28.50
Drama Department	12.00	6.00
Performing Arts	25.00	12.50
TSP Package*	39.50	33.00
<u>Cactus</u> Yearbook	30.00	30.00
<u>Utmost</u> Magazine	12.50	6.25
Official Directory	3.00	(not offered)
<u>Peregrinus</u> Yearbook	25.00	25.00
<u>Analecta</u> Literary Journal	5.00	5.00
Locker/Basket and Shower (per semester)	6.00**	6.00

* TSP Package represents a reduced cost for the purchase of Cactus, Utmost, and the Official Directory

** Represents Fall Semester charge only

These fees represent increases for the Cactus Yearbook, Official Directory, Peregrinus Law School Yearbook, the Texas Student Publications Package, and the Locker/Basket and Shower fee.

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

7. U. T. Austin: Establishment of Differential Graduate Tuition Rates for Certain Schools and Colleges and Authorization for Changes in Previously Approved Differential Graduate Tuition Rates Effective with the Fall Semesters 1992 and 1993 (Catalog Changes).--Section 54.008 of the Texas Education Code provides that governing boards of institutions of higher education may set differential tuition rates for graduate programs in an institution provided that such rates are at least equal to the minimum rates established by statute and not more than double that statutory rate.

In accordance therewith, the Board, upon recommendation of the Academic Affairs Committee, approved the establishment of differential graduate tuition rates for certain schools and colleges and authorized changes in previously approved differential graduate tuition rates for certain other schools and colleges at The University of Texas at Austin effective with the Fall Semesters 1992 and 1993 as shown below:

- a. Established differential graduate tuition rates for the Colleges of Communication, Education, Fine Arts, Liberal Arts, Natural Sciences, Business Administration (Ph.D. program);

the Schools of Nursing and Social Work; the Lyndon Baines Johnson School of Public Affairs; and the Graduate School of Library and Information Science as follows:

	Graduate Tuition Rate* <u>1992-93</u>	Graduate Tuition Rate* <u>1993-94</u>
Resident	\$ 36	\$ 52
Nonresident	172	182**

* Amount per semester credit hour of registration

** If the cost of education is changed by the Texas Higher Education Coordinating Board, nonresident tuition will be the higher of \$182 or \$20 above the cost of education.

b. Changed differential graduate tuition rates for the Colleges of Engineering and Pharmacy and the School of Architecture as follows:

	Graduate Tuition Rate* <u>1992-93</u>	Graduate Tuition Rate* <u>1993-94</u>
Resident	\$ 48	\$ 52
Nonresident	172	182**

* Amount per semester credit hour of registration

** If the cost of education is changed by the Texas Higher Education Coordinating Board, nonresident tuition will be the higher of \$182 or \$20 above the cost of education.

c. Changed differential graduate tuition rates for the Graduate School of Business (MBA, MPA, and PPA programs) as follows:

	Graduate Tuition Rate* <u>1992-93</u>	Graduate Tuition Rate* <u>1993-94</u>
Resident	\$ 48	\$ 52
Nonresident	180	190**

* Amount per semester credit hour of registration

** If the cost of education is changed by the Texas Higher Education Coordinating Board, nonresident tuition will be the higher of \$190 or \$30 above the cost of education.

- d. Changed differential graduate tuition rates for the School of Law as follows:

	Graduate Tuition Rate* <u>1992-93</u>	Graduate Tuition Rate* <u>1993-94</u>
Resident	\$120	\$120
Nonresident	240	260

* Amount per semester credit hour of registration

Priority uses for the additional funds derived from differential tuition charges are to provide for instructional program support, for support for students who could not otherwise meet new tuition costs, and for faculty salaries in the school or college from which the revenues are generated. Funds in the School of Law may also provide support for the Law Library.

It was ordered that the next appropriate catalogs published at U. T. Austin be amended to conform to these actions.

8. U. T. Austin: Authorization to (a) Consolidate The Regents' Endowed Teachers and Scholars Program and The Regents' Endowed Student Fellowship and Scholarship Program; (b) Redesignate as The Regents' Endowment Program; and (c) Approve New Program Guidelines.--The Regents' Endowed Teachers and Scholars Program was established in 1981 under the authorization granted by the 67th Legislature for The University of Texas at Austin to use Available University Funds to match private gifts for endowed academic positions. The extraordinarily successful program has operated under a set of guidelines adopted by the U. T. Board of Regents in August 1981 and subsequently amended.

The guidelines for matching gifts under The Regents' Endowed Student Fellowship and Scholarship Program were adopted by the U. T. Board of Regents at the October 1987 meeting following authorization by the 70th Legislature allowing use of Available University Funds for matching gifts to fund scholarships and graduate fellowships.

In order to consolidate previously endowed academic position and student endowment matching programs and to match endowments for library support as approved by the current General Appropriations Act, 72nd Legislature, at U. T. Austin, the Board:

- a. Consolidated The Regents' Endowed Teachers and Scholars Program and The Regents' Endowed Student Fellowship and Scholarship Program
- b. Redesignated the resulting program as The Regents' Endowment Program
- c. Replaced the prior guidelines for the programs with new program guidelines as set forth on Pages 230 - 232.

GUIDELINES FOR MATCHING GIFTS UNDER
THE REGENTS' ENDOWMENT PROGRAM
THE UNIVERSITY OF TEXAS AT AUSTIN

As authorized by the current General Appropriations Act and subject to the availability of matching funds, the President of U. T. Austin, the Executive Vice Chancellor for Academic Affairs and the Chancellor of the U. T. System shall make recommendations to the U. T. Board of Regents for the matching of gifts to endow academic positions, graduate and undergraduate student fellowships and scholarships, and library support with Available University Fund monies under The Regents' Endowment Program pursuant to the following guidelines:

1. that matching monies be available, as recommended by the President of U. T. Austin with the concurrence of the Executive Vice Chancellor for Academic Affairs, for gifts from private sources to fund or add to endowment categories as described below;
2. that the ratio of matching to gift funds for each new endowment or addition to an existing endowment will be recommended to the U. T. Board of Regents by the President of U. T. Austin with the concurrence of the Executive Vice Chancellor for Academic Affairs and the Chancellor, but in no case will the ratio of matching to gift funds exceed one dollar for one dollar. The President's recommended rate of matching will be based upon institutional priorities as well as an evaluation of the developmental needs for colleges and schools;
3. that matching in an academic year is to be limited to the amount budgeted for that year plus any unallocated funds from a previous year, with the understanding that:
 - a. gifts beyond this amount may have priority for matching in subsequent academic years; and
 - b. any funds not allocated in an academic year may be carried forward to the next academic year;
4. that The Regents' Endowment Program shall be effective on a biennial basis during years it is funded by the U. T. Board of Regents. Gifts and pledges received during a biennium and which meet other applicable Program criteria may be considered under this Program, with the additional provision that pledges must be fulfilled by the end of the succeeding biennium;
5. that matching monies made available under The Regents' Endowment Program may be available for matching testamentary and other deferred gifts, insofar as the terms of the donative instrument, the wishes of the donor as determined by the donative instrument, and these guidelines are in harmony;

6. that, to the extent possible, the wishes of the donor will be considered within these overall guidelines;
7. that the following additional provisions be effective for gifts to endow academic positions:
 - a. matching monies be available for gifts that will, at a minimum, fully fund one of the endowed academic positions provided for in Section 3, Chapter I, Part Two of the Regents' Rules and Regulations, as the section now reads or as it later may be amended, or that will add a minimum of \$10,000 to an existing academic position endowment;
 - b. other than the matching of gifts with Available University Fund monies, all provisions of Section 3, Chapter I, Part Two of the Regents' Rules and Regulations, as that section now reads or as it later may be amended, will be in full force and effect;
 - c. payments of pledges for the establishment of endowed academic positions be matched as received beginning when the cumulative total of the payments is at least \$50,000 with the provision that, should any subsequent pledge not be received, the endowed academic position established pursuant to the original pledge will be redesignated as appropriate considering the value of payments received and in hand at the time the pledges cease to be paid;
 - d. matching funds may be used to increase the size of the endowment established; to add to a previously established endowed academic position; or to fully fund for establishment one of the endowed academic positions provided for in Section 3, Chapter I, Part Two of the Regents' Rules and Regulations; and
 - e. potential donors be informed that for such time as an endowed professorship or chair is unfilled by regular appointment, annual or semester fellowship appointments in the same academic area may be made that bear the name of the endowed professorship or chair; otherwise, endowment income not needed to fund endowed position recruitment activities will be reinvested in the endowment;
8. that the following additional provisions be effective for gifts to student fellowship and scholarship endowments:
 - a. matching monies be available for eligible gifts that will fund a new student fellowship or scholarship endowment at a minimum level of \$25,000 or that will add a minimum of \$10,000 to an existing student fellowship or scholarship endowment;

- b. matching funds shall be used to increase the size of the new or existing endowment being funded;
 - c. the income from student fellowship and scholarship endowments established pursuant to these guidelines shall be distributed to eligible students pursuant to Section 2, Chapter I, Part Two of the Regents' Rules and Regulations, as that section now reads or as it later may be amended; and
 - d. payment of pledges for the establishment of a new fellowship or scholarship endowment will be matched as received beginning when the cumulative total of payments is at least \$10,000;
9. that the following additional provisions be effective for gifts that will fund library support endowments:
- a. matching monies will be available for eligible gifts that will fund a new endowment for library support at a minimum level of \$25,000, or that will add a minimum of \$10,000 to an existing library support endowment;
 - b. matching funds shall be used to increase the size of the new or existing endowment being funded;
 - c. payment of pledges for the establishment of a new library support endowment will be matched as received beginning when the cumulative total of payments is at least \$10,000.

9. U. T. Austin: Approval of Agreement of Academic Cooperation with the Instituto Tecnológico y de Estudios Superiores de Monterrey, Nuevo Leon, Mexico, and Authorization for Executive Vice Chancellor for Academic Affairs to Execute Agreement.--Upon recommendation of the Academic Affairs Committee, the Board approved the agreement of academic cooperation set out on Pages 233 - 238 between The University of Texas at Austin, on behalf of the Department of Computer Sciences, and the Instituto Tecnológico y de Estudios Superiores de Monterrey, Nuevo Leon, Mexico.

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

AGREEMENT OF ACADEMIC COOPERATION
between
THE UNIVERSITY OF TEXAS AT AUSTIN (U.S.A.)
and
INSTITUTO TECNOLÓGICO Y DE ESTUDIOS SUPERIORES
DE MONTERREY (NUEVO LEÓN, MEXICO)

Whereas The University of Texas at Austin (hereafter referred to as "UT Austin"), for and on behalf of the Department of Computer Sciences, of Austin, Texas, U.S.A. and the Instituto Tecnológico y de Estudios Superiores de Monterrey (hereafter referred to as "ITESM") of Monterrey, Nuevo Leon, Mexico desire to cooperate in a joint Ph.D. program in Computer Sciences;

Therefore, UT Austin and ITESM agree to program provisions as follows:

I. Responsibilities of the Parties

- A. The UT Austin Department of Computer Sciences (hereafter referred to as "UT-CS") agrees to collaborate with the Graduate Program in Informatics, research centers in the Division of Graduate Studies and Research, and the Division of Sciences and Humanities at ITESM in an educational and research program leading to the Ph.D. in Informatics.
- B. ITESM will have sole responsibility for the administration of, and financial support for, the program. All payments for UT-CS faculty will be made by ITESM directly to UT-CS faculty members. In addition, ITESM will pay ten percent of these payments to UT-CS to defray administrative costs of the program.
- C. ITESM will be responsible for the selection and admission of doctoral candidates to the program on the basis of that institution's established academic policies and procedures. ITESM also will award the doctoral degree to candidates who successfully complete the program, and the degree will be designated Ph.D. in Informatics.
- D. UT Austin faculty will comply with all UT Austin regulations related to outside work activities and will file the required Request for Approval of Outside Employment, Request for Travel Authorization, and Request for Leave from the Instructional Budget forms as appropriate.

II. Students

- A. UT-CS will receive as special students a maximum of three ITESM second-year students per year. ITESM students will be responsible for the payment of all required UT Austin out-of-state tuition, fees, and other costs, as well as traveling and living expenses.
- B. The Ph.D. Admissions Committee of ITESM will select candidates for the second year at UT Austin on the basis of the admissions standards of the Doctoral Program in Informatics at ITESM, which are comparable to those required by the UT-CS. Applicants will be evaluated on the basis of GRE and TOEFL scores, previous academic record, and potential for scholarship and research.

- C. In the spirit of this Agreement, ITESM encourages UT Austin doctoral students to take courses and pursue dissertation research in computer sciences at the Monterrey Campus.

III. The Program

- A. **First Year.** The student will spend the first year at ITESM taking courses in the basic areas of computing sciences, participating in research seminars, and fulfilling any other academic requirements.
- B. **Second Year.** A maximum of three qualifying Ph.D. students per year will spend the second year of their program at UT Austin where they will have access to the same facilities as the regular students of UT-CS. during the year at UT Austin, ITESM students will:
- take at least six core courses and/or seminars; and
 - prepare a technical paper during the summer session that will be evaluated by UT-CS faculty.

At the end of this year, the student will take his comprehensive exam at ITESM.

- C. **Third Year.** During the third year the student will prepare and complete a written dissertation proposal, which will focus on the student's special area of study and research. The dissertation proposal will be supervised by five faculty members, at least one of whom will be from ITESM or from UT-CS.

The student's dissertation committee will be organized and will include at least one faculty members from ITESM who will review and evaluate the dissertation proposal during an oral presentation. The supervising professor will be either from UT-CS or ITESM.

- D. **Third and Fourth Years.** During the third and fourth years student will take courses and seminars at ITESM to complete the credit requirements of the ITESM Ph.D. Program in Informatics. In addition, the student will conduct research for the dissertation, traveling, as needed, to complete and defend the dissertation. The student will follow ITESM rules for presentation and defense of the research work.

The average time to complete the program is four years, but will vary depending on the student's background.

IV. UT-CS Faculty

Intended UT-CS faculty activities under this Agreement include the following:

- A. **Research/technical paper supervisor.** A UT-CS faculty member will supervise the work of the student during the summer of the second year. ITESM will pay the

faculty member serving in this capacity \$2,000 per 12-week summer session per student.

- B. **Dissertation Supervisor.** UT_CS faculty members may serve as dissertation chairperson for students participating in the program. A supervising professor must assume responsibility for this role for a year or more in order to provide continuity between ITESM commitments and the student's research project.
- C. **Visiting Faculty.** This Agreement has as an objective the participation of at least one UT-CS faculty member in the ITESM graduate program each year. This participation may be in one or more of the following formats:
- **One semester visiting appointment:** ITESM will be responsible for visiting appointment arrangements, including compensation, travel, and any associated matters as determined by the requirements of each case.
 - **Lecturer for a doctoral course/seminar:** Every year one UT-CS faculty member will conduct a doctoral level course/seminar at ITESM. The course format will consist of 48 contact hours per semester, which will require four monthly visits of two or three days duration each. ITESM will pay the visiting UT-CS faculty member an honorarium of \$8,000 and will be responsible for travel and living expenses.
 - **Three-day seminar:** A UT-CS faculty member may lead a three-day seminar in his area of expertise and interest that will introduce students to potential research projects. ITESM will pay UT-CS faculty members an honorarium of \$2,400 plus travel and living expenses for conducting the seminars.
 - **Summer teaching:** Visiting UT-CS faculty may teach a two-hour lecture course during a five-week period, which would include one office hour daily. Where a course is team taught with a member of the ITESM faculty, the visiting professor's stay at ITESM would be limited to two to three weeks. ITESM will pay the visiting faculty member an honorarium of \$2,000 per week and will be responsible for travel and living expenses.

V. **Research**

The ITESM Ph.D. Program in Informatics encourages the involvement of faculty at associated universities in local and national research projects supported by Mexican R&D centers. ITESM will propose a portfolio of projects within the different research areas with the objective of establishing collaboration with UT-CS faculty members, laboratories, and/or research centers at UT-CS. UT-CS will assist in seeking funding from industry and governmental agencies for joint research projects to be undertaken by UT-CS and ITESM personnel. It is expected that these proposals and projects could become dissertation research topics for interested students.

UT-CS will provide access to UT Austin libraries, data centers, research laboratories, or other facilities as necessary during the course of the students doctoral work. Students will

Agreement of Academic Cooperation
UT Austin/ITESM
Page 4 of 6

be responsible for the payment of fees that may be required for the use of these facilities. ITESM will provide the required facilities and materials in Monterrey.

VI. Program Coordinators

UT-CS and ITESM designate the following individuals as program coordinators:

Dr. Alfred G. Dale, Chairman
Department of Computer Sciences
The University of Texas at Austin

Dr. Carlos Scheel, Dean
Graduate Program in Informatics
Instituto Tecnológico y de Estudios Superiores de Monterrey

VII. Program Review

UT-CS will provide at least one faculty member for program review team that will meet annually for two days in Monterrey. The program review team will review the curriculum and other aspects of the ITESM Doctoral Program and will prepare a written report to be provided to ITESM within three weeks of the annual meeting. Each UT-CS review team member will receive an honorarium of \$1,000 plus travel and living expenses.

VIII. Terms of Agreement

This Agreement will be reviewed at the end of four years at which time appropriate changes and modifications will be made if both institutions desire to continue with the Agreement. This Agreement may be terminated by either party following one year's prior notice. Termination shall be without penalty.

Agreement of Academic Cooperation
UT Austin/ITESM
Page 5 of 6

EXECUTED by the Board of Regents of The University of Texas System and the Instituto Tecnológico y de Estudios Superiores de Monterrey, Nuevo Leon, Mexico on the day and year first below written, in duplicate copies, each of which shall be deemed an original.

THE UNIVERSITY OF TEXAS AT AUSTIN

BY: _____
William H. Cunningham

TITLE: President

BY: _____
Robert E. Boyer

TITLE: Dean, College of Natural Sciences

INSTITUTO TECNOLOGICO Y DE ESTUDIOS
SUPERIORES DE MONTERREY

BY: _____
Fernando J. Jaimes

TITLE: Dean, Graduate Studies and Research

BY: _____
Carlos Scheel

TITLE: Dean, Graduate Program in Informatics

FORM APPROVED:

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Office of General Counsel

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

Agreement of Academic Cooperation
UT Austin/ITESM
Page 6 of 6

CERTIFICATE OF APPROVAL

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

Executive Secretary, Board of Regents
The University of Texas System

10. U. T. El Paso: Permission for Dr. Diana S. Natalicio to Serve as a Member of the Texas Committee for the Humanities [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--Permission was given for Dr. Diana S. Natalicio, President of The University of Texas at El Paso, to serve as a member of the Texas Committee for the Humanities.

Dr. Natalicio will serve on this Committee without compensation.

Governor Richards' appointment of Dr. Natalicio to this Committee is of benefit to the State of Texas, creates no conflict with her regular duties at U. T. El Paso, 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.

11. U. T. El Paso: Establishment of a Master of Science in Nursing (MSN) with a Major in Nursing Administration and a Master of Science in Nursing (MSN) with a Major in Nurse Practitioner with an Option in Women's Health Care and Authorization to Submit the Proposals to the Coordinating Board for Approval (Catalog Change).--The Board established degree programs leading to a Master of Science in Nursing (MSN) with a major in Nursing Administration and Master of Science in Nursing (MSN) with a major in Nurse Practitioner with a single option in Women's Health Care at The University of Texas at El Paso and authorized submission of the proposals to the Texas Higher Education Coordinating Board for review and appropriate action.

The two master's level programs in nursing are designed specifically to meet regional needs for health care providers. The MSN in Nursing Administration will prepare students for the advanced practice of nursing administration as members of interdisciplinary health management teams in such positions as nurse manager, head nurse and coordinator in hospital, clinical, and other health care settings. The 36 semester credit hour program will include nine hours of core courses in nursing, 18 hours of nursing administration courses, and nine hours of electives in nursing or management.

The MSN in Nurse Practitioner with the option in Women's Health Care will prepare students for providing health care to women in a variety of settings. Students will be required to complete 48 semester credit hours, including nine hours of core nursing courses, 30 hours of nurse practitioner courses, and nine hours of thesis or non-thesis course work. The major in nurse practitioner will offer only the option in women's health care.

Both programs will be administered by the College of Nursing and Allied Health in cooperation with the Graduate School. Clinical experiences will be made available through area hospitals, clinics, and other appropriate agencies.

The programs will be systematically evaluated by faculty, students, and employers. The Graduate Curriculum Committee of the College of Nursing and Allied Health and the Graduate Council of the University will have ongoing responsibility for evaluation of the programs.

The College of Nursing and Allied Health has received three-year external grant funding for each of the programs. One new assistant professor is expected to be added for the nursing administration program, and two instructors and one assistant professor will be needed for the nurse practitioner program. The instructors will be used for practicum experiences and the assistant professor for the nurse practitioner proposal will be used in the undergraduate nursing program to release two existing faculty members for teaching new graduate courses. The external funding will cover these personnel costs.

No new facilities will be required and modest increases in library materials will be covered by the federal grants. No additional costs to the state are anticipated for either program.

The master's level programs in nursing are consistent with the U. T. El Paso Strategic Plan and approved Table of Programs.

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

12. U. T. El Paso: Approval to Increase the Compulsory Student Services Fee Effective with the Fall Semester 1992 (Catalog Change).--Pursuant to Senate Bill 1000, enacted by the 72nd Texas Legislature, Regular Session, which amended Section 54.503 of the Texas Education Code to authorize an increase in the maximum compulsory student services fee from \$90 per semester or summer session to \$150 per semester or summer session, the Board approved an increase in the Compulsory Student Services Fee at The University of Texas at El Paso from \$8.25 per semester credit hour with a maximum fee of \$99 per semester or summer session to \$9 per semester credit hour with a maximum fee of \$108 per semester or summer session to be effective with the Fall Semester 1992.

The additional revenues will be used to meet increasing costs for student services at U. T. El Paso and to maintain quality and availability of essential services for students.

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

13. U. T. El Paso: Establishment of Differential Graduate Tuition Rates for the College of Business Administration, College of Engineering, and College of Nursing and Allied Health Effective with the Fall Semester 1992 (Catalog Change).--Section 54.008 of the Texas Education Code provides that governing boards of institutions of higher education may set differential tuition rates for graduate programs in an institution provided that such rates are at least equal to the minimum rates established by statute and not more than double the statutory rate.

In accordance therewith, the Board approved the establishment of differential graduate tuition rates for the College of Business Administration, College of Engineering, and College of Nursing and Allied Health at The

University of Texas at El Paso effective with the Fall Semester 1992 as set out below:

	<u>Graduate Tuition Rate* 1992-93</u>
<u>College of Business Administration</u>	
Resident	\$ 48
Nonresident	172
<u>College of Engineering</u>	
Resident	48
Nonresident	172
<u>College of Nursing and Allied Health</u>	
Resident	42
Nonresident	172

* Amount per semester credit hour of registration

Priority uses of the additional funds derived from the differential tuition charges are for meeting the higher costs associated with offering graduate programs in these areas, for faculty and student support, and for other academic support programs.

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

14. U. T. El Paso: Establishment of the Miner Foundation for Intercollegiate Athletics for Men and Women; Approval to Amend the Regents' Rules and Regulations, Part One, Chapter VII, Section 4, Subsection 4.3 (Internal Foundations) to Include Miner Foundation; and Establishment of the Miner Foundation Advisory Council.--In December 1984, the U. T. Board of Regents approved an agreement to authorize the El Dorados Organization, a privately incorporated nonprofit organization, to solicit funds on behalf of The University of Texas at El Paso's athletic programs. This approach has served the institution well in the intervening years; however, National Collegiate Athletic Association (NCAA) expectations related to university control over athletic fund raising activities suggest enhanced visibility and fund raising capability could be provided by an internal foundation.

Upon recommendation of the Academic Affairs Committee, the Board:

- a. Approved the resolution set out on Page 243 establishing the Miner Foundation as an internal foundation to benefit Intercollegiate Athletics for Men and Women at U. T. El Paso in accordance with the Regents' Rules and Regulations, Part One, Chapter VII, Section 4, Subsection 4.3 (Internal Foundations)

- b. Authorized the Executive Secretary to the U. T. Board of Regents to add the foundation to the list of approved internal foundations set out in the Regents' Rules and Regulations, Part One, Chapter VII, Section 4, Subsection 4.33
- c. Established the Miner Foundation Advisory Council pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, with the understanding that nominees to the Miner Foundation Advisory Council will be submitted for approval at a future meeting.

The establishment of an internal foundation will provide assurance of consistent, internal control over fund raising for men's and women's athletic programs. The El Dorados have agreed to mutual termination of the 1984 agreement and ceased activities on behalf of U. T. El Paso as of January 1, 1992.

Resolution of the Board of Regents
of The University of Texas System

WHEREAS, There exists a clear and specific need for means to finance the program of the Department of Intercollegiate Athletics of The University of Texas at El Paso, in addition to the regular budgetary provisions; and

WHEREAS, It is the desire of interested persons to set up the facilities to encourage and assist in such financing;

IT IS NOW RESOLVED, That the Board of Regents of The University of Texas System hereby establishes the Miner Foundation of the Department of Intercollegiate Athletics of The University of Texas at El Paso.

AND FURTHER, That the purpose of the said Foundation shall be to foster the understanding and development of the programs of the Department of Intercollegiate Athletics at The University of Texas at El Paso, and to encourage the making of gifts to the Foundation by deed, grant, will or otherwise for any purpose appropriate to the work of the Foundation.

AND FINALLY, That all donations to and assets of the Foundation shall be accepted and managed subject to the following conditions:

1. The unrestricted funds of the Foundation shall be devoted to the enrichment of the scholarship programs for student athletes in all varsity sports of the Department of Intercollegiate Athletics of The University of Texas at El Paso and such special funds as may be established from time to time, and shall not be used for the ordinary operating expenses of the Department of Intercollegiate Athletics.
2. A donation to the Foundation may be made for a specific purpose as specified by the donor or may be given as unrestricted funds. Gifts which meet or exceed the minimum requirements of the Board of Regents may be presented for acceptance by the Board as permanently endowed funds for support of the Intercollegiate Athletic program of The University of Texas at El Paso.
3. The Board of Regents shall hold, manage, control, sell, exchange, lease, convey, mortgage or otherwise encumber, invest or reinvest, and generally shall have the power to dispose of in any manner and for any consideration and on any terms the said gifts, funds, or property in their discretion and shall from time to time pay out of the income, or if the income be insufficient, out of the principal, all expenses of the trust and all expenditures incurred in furthering the purposes of the trust.
4. Neither any donation to the Miner Foundation nor any fund or property arising therefrom in whatever form it may take shall ever be any part of the Permanent University Fund nor shall the Legislature have power to be in any way authorized to change the purposes thereof or to divert such donation, fund or property from those designated purposes.
5. As in the case of other funds, authorization for expenditure of all funds from the Foundation shall be vested in the Board of Regents and recommendations for such expenditures shall be made by the President of The University of Texas at El Paso to the Office of the Chancellor and by the Office of the Chancellor to the Board of Regents of The University of Texas System.

15. U. T. Pan American: Authorization to Increase the Compulsory Student Services Fee Effective with the Fall Semester 1992 (Catalog Change).--Pursuant to Senate Bill 1000, enacted by the 72nd Texas Legislature, Regular Session, which amended Section 54.503 of the Texas Education Code to authorize an increase in the maximum compulsory student services fee from \$90 per semester or summer session to \$150 per semester or summer session, the Board approved an increase in the Compulsory Student Services Fee at The University of Texas - Pan American from \$7.70 per semester credit hour with a maximum fee of \$99 per semester or summer session to \$8.47 per semester credit hour with a maximum fee of \$108.90 per semester or summer session to be effective with the Fall Semester 1992.

This 10% fee increase does not require student approval but has been approved and recommended by the U. T. Pan American Student Affairs Advisory Committee as required. The increase in fee income will be used to compensate for added enrollment, inadequate funding for continuation of current services, and increased use of the University Center.

It was ordered that the next appropriate catalog published by U. T. Pan American be amended to conform to this action.

16. U. T. Pan American: Approval of Agreements with (a) El Colegio de la Frontera Norte, Tijuana, Mexico; (b) Universidad Autonoma del Noreste, Saltillo, Coahuila, Mexico; and (c) Inter American University of Puerto Rico, San Juan, Puerto Rico; and Authorization for Executive Vice Chancellor for Academic Affairs to Execute Agreements.--The Board, upon recommendation of the Academic Affairs Committee, approved two exchange agreements and an agreement of cooperation between The University of Texas - Pan American and the following international institutions:
- a. El Colegio de la Frontera Norte, Tijuana, Mexico (Page 245)
 - b. Universidad Autonoma del Noreste, Saltillo, Coahuila, Mexico (Page 246)
 - c. Inter American University of Puerto Rico, San Juan, Puerto Rico (Pages 247 - 249).

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

These agreements are designed to promote academic, cultural and research cooperation between U. T. Pan American and the other institutions.

**AGREEMENT FOR ACADEMIC EXCHANGE
BETWEEN EL COLEGIO DE LA FRONTERA NORTE
AND THE UNIVERSITY OF TEXAS - PAN AMERICAN**

CONSIDERING THAT:

The University of Texas--Pan American (UTPA), with central offices in Edinburg, Texas and El Colegio de la Frontera Norte (COLEF), with central offices in Tijuana, Mexico, recognize that collaborative cross-national efforts are vital to the development of academic advancement, cultural appreciation, educational and economic development, and mutual understanding between their two countries, and UTPA and COLEF being accredited institutions in their respective countries, and therefore, maintaining high academic and professional standards,

Be it resolved that The University of Texas--Pan American and El Colegio de la Frontera Norte enter into a relationship to promote better understanding between the binational communities of the border and the corresponding educational and economical development of the region, more specifically agreeing:

1. - To establish an academic environment that recognizes the bi-national aspects of both institutions;
2. - To promote short-term visits of faculty and/or students between both institutions in diverse academic programs;
3. - To work toward building a mechanism for the extensive interchange of information, research, and data related to our bi-national community;
4. - To promote programs for the border community, in educational, technical and administrative areas;
5. - To jointly conduct research of importance to both institutions and their respective communities;
6. - To make every reasonable effort to provide the necessary resources within the limits prescribed by the laws of the respective country and state, that officially designated personnel and offices will propose supplemental agreements for the development of programs or projects in specific areas of mutual concern, detailing specific budget and relevant matters.

The present agreement will be in effect starting on date of the celebration and will be extended indefinitely by mutual agreement of the parties involved.

This document will be in effect and open to new actions unless it is substituted by another one or canceled by either of the two parties. Such cancellation, if deemed appropriate by either party, should be done in written form with written explanations of cancellation. Two originals of this document are formulated and signed, one in Spanish and one in English. They will remain at El Colegio de la Frontera Norte and at The University of Texas-Pan American, respectively.

Signed by parties in _____ on the ____ day of _____, 199__

ATTEST:

By _____
Arthur H. Dilly
Executive Secretary

By _____
Dr. Jorge A. Bustamente Fernandez
Rector
El Colegio de la Frontera Norte

APPROVED AS TO FORM

By _____
Priscilla Lozano, Attorney
Office of General Counsel

WITNESSED

By _____
Dr. Victor A. Zuñiga G.
Director of the Northeast
Coordinating Offices of El
Colegio de la Frontera Norte

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
James P. Duncan
Executive Vice Chancellor for Academic Affairs

APPROVED AS TO CONTENT:

By _____
Miguel A. Nevarez, President
The University of Texas - Pan American

**AGREEMENT FOR ACADEMIC AND CULTURAL EXCHANGE
BETWEEN THE UNIVERSIDAD AUTONOMA DEL NORESTE
AND THE UNIVERSITY OF TEXAS - PAN AMERICAN**

CONSIDERING THAT:

The University of Texas--Pan American (UTPA), with address of 1201 W. University Drive, Edinburg, Texas and la Universidad Autónoma del Noreste (UANE), with central offices in Saltillo, Coahuila, Mexico, recognize that collaborative cross-national efforts are vital to the development of academic advancement, cultural appreciation, educational and economic development, and mutual understanding between our two countries, and UTPA and UANE are accredited institutions in their respective countries, therefore, maintaining high academic and professional standards,

Be it resolved that The University of Texas--Pan American and la Universidad Autónoma del Noreste enter into a relationship to promote better understanding between the binational communities of the border and the corresponding educational and economical development of the region, more specifically agreeing:

1. - To establish an academic environment that recognizes the bi-national aspects of both institutions;
2. - To promote short-term visits of faculty and/or students between both institutions in diverse academic programs;
3. - To establish a mechanism for the extensive interchange of information, research, and data related to our bi-national community;
4. - To promote programs for the border community in educational, technical and administrative areas;
5. - To jointly conduct research of importance to both institutions and their respective communities;
6. - To make every reasonable effort to provide the necessary resources within the limits prescribed by the laws of the respective country and state, that appropriate designated personnel and offices will negotiate supplemental agreements for the development of programs or projects in specific areas of mutual concern, detailing specific budget and relevant matters.

The present agreement will be in effect starting on date of the celebration and will be extended indefinitely by mutual agreement of the parties involved.

This document will be in effect and open to new actions unless it is substituted by another one or canceled by either of the two parties. Such cancellation, if deemed appropriate by either party, should be done in written form with written explanations of cancellation. Two originals of this document are formulated and signed, one in Spanish and one in English. They will remain at la Universidad Autónoma del Noreste and at The University of Texas--Pan American, respectively.

Signed by parties in _____ on the _____ day of _____, 199__

ATTEST:

By _____
Arthur H. Dilly
Executive Secretary

By _____
Dr. Pablo A. Longoria Trellado
Rector de la Universidad
Autónoma del Noreste

APPROVED AS TO FORM

By _____
Priscilla Lozano, Attorney
Office of General Counsel

WITNESSED

By _____
Ing. Fortino Garza Rosales
Director General de Ed.

**BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM**

By _____
James P. Duncan
Executive Vice Chancellor for Academic Affairs

APPROVED AS TO CONTENT:

By _____
Miguel A. Nevarez, President
The University of Texas - Pan American

**AGREEMENT OF COOPERATION
BETWEEN
INTER AMERICAN UNIVERSITY OF PUERTO RICO
AND
THE UNIVERSITY OF TEXAS - PAN AMERICAN**

THE UNIVERSITY OF TEXAS - PAN AMERICAN, (hereinafter referred to as U.T. Pan American), and INTER AMERICAN UNIVERSITY OF PUERTO RICO, (hereinafter referred to as Inter American University) enter into an agreement of cooperation to establish a program of exchange and collaboration in areas of interest and benefit to both institutions.

I.

The purpose of the cooperation between U. T. Pan American and Inter American University is as follows:

- to promote interest in the teaching and research activities of the respective institutions, and
- to deepen the understanding of the economic and social issues and traditions of the respective cultures.

II.

To achieve these goals insofar as the means of each allow, U. T. Pan American and Inter American University will:

- promote institutional exchanges by inviting faculty and scholars of the partner institution to participate in a variety of teaching and/or research activities;
- receive undergraduate and graduate students of the partner institution for periods of study and/or research;
- organize symposia, conferences and meetings on research issues;
- carry out joint research programs; and
- exchange information pertaining to developments in teaching and research at each institution.

III.

Each institution shall designate a coordinator to oversee and facilitate the implementation of this agreement. These two coordinators, working with other appropriate

administrators at the respective universities, shall have the following responsibilities:

- to promote academic collaboration at both faculty, graduate and undergraduate student levels for research and study;
- to act as principal contacts for individual and group activities and to plan and coordinate all activities within their institutions as well as with the partner institution;
- to distribute to each institution information about the faculty, facilities, research and publications, library materials and educational resources of the other institution; and
- to meet periodically to review and evaluate past activities and to work out new ideas for future cooperative agreements.

IV.

This general AGREEMENT TO COOPERATE shall be identified as the parent document of any program affiliation executed between the two parties. Further agreements concerning any program shall provide details concerning the specific commitments being made by each party and shall not become effective until they have been reduced to writing, executed by the duly authorized representatives of the parties, and approved in writing by the Executive Vice Chancellor for Academic Affairs of The University of Texas System. The scope of the activities under this agreement shall be determined by the funds regularly available at both institutions for the types of collaboration undertaken and by financial assistance as may be obtained by either institution from external sources.

V.

All travel and living expenses will be the responsibility of the home institution. The host institution will assist professional staff engaged in teaching or research to find local living facilities.

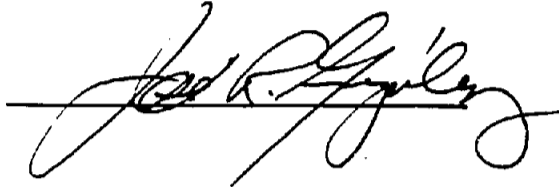
VI.

Upon approval by each institution, this agreement shall remain in effect until terminated by either institution. Such termination by one institution shall be effected by giving the other institution at least ninety (90) days advance written notice of its intention to terminate. Termination shall be without penalty. If this agreement is terminated, neither U. T. Pan American nor Inter American University shall be liable to the other for any monetary or other losses which may result.

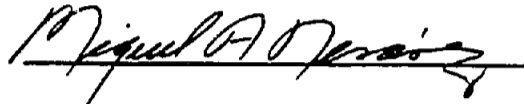
Executed on this 28th day of February, 1992.

ATTEST:

FOR
INTER AMERICAN UNIVERSITY OF
PUERTO RICO




FOR
THE UNIVERSITY OF TEXAS -
PAN AMERICAN


President

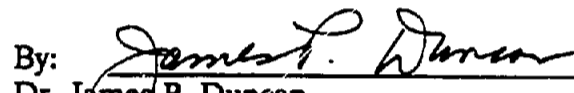
FORM APPROVED:

By:


Office of General Counsel
The University of Texas System

APPROVED:

By:


Dr. James P. Duncan
Executive Vice Chancellor
for Academic Affairs
The University of Texas System

Date:

02/17/92

Date:

2-18-92

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 13th day of February, 1992 and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.


Mr. Arthur H. Dilly
Executive Secretary,
U. T. Board of Regents

17. U. T. San Antonio: Establishment of the College of Social and Behavioral Sciences Advisory Council.--Pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, the Board established an Advisory Council for the College of Social and Behavioral Sciences at The University of Texas at San Antonio with the understanding that initial nominees thereto will be submitted for approval at a future meeting.
18. U. T. San Antonio: Approval of Memorandum of Agreement with Trinity University, San Antonio, Texas.--Upon recommendation of the Academic Affairs Committee, the Board approved the memorandum of agreement set out on Pages 251 - 253 between The University of Texas at San Antonio and Trinity University, San Antonio, Texas.

The purpose of this agreement is to provide an agreed basis for cross-enrollment of Trinity University students who participate in the U. S. Army Reserve Officers' Training Corps (ROTC) program at U. T. San Antonio.

Trinity University has elected to no longer host an ROTC program and is entering into this agreement so their students who are currently enrolled in the program may continue with the program until completion/graduation. Trinity University will not enroll new students in the ROTC program, and this agreement will be terminated at the completion of the Spring Semester 1994.

MEMORANDUM OF AGREEMENT
BETWEEN
THE UNIVERSITY OF TEXAS AT SAN ANTONIO AND TRINITY UNIVERSITY

SUBJECT: U.S. Army Reserve Officers' Training Corps Cross-Enrollment Agreement

A. PURPOSE. This memorandum provides an agreed basis for cross-enrollment of interested students from Trinity University into the ROTC program at The University of Texas at San Antonio (UTSA).

B. OBJECTIVE. This document identifies responsibilities, establishes relationships, and outlines procedures between UTSA and Trinity University for the accomplishment of tasks which involve matters of mutual interest.

C. AGREEMENT.

WHEREAS The University of Texas at San Antonio is a host institution for the Army Reserve Officers' Training Corps (ROTC) and provides a complete military science curriculum for qualified students; and

WHEREAS Trinity University will no longer host a ROTC program after School Year 1990-91; and

WHEREAS the Department of the Army requires a mutually satisfactory agreement with regard to administrative and support procedures for students who are cross-enrolled for the purpose of military science studies;

BE IT KNOWN that officials of both The University of Texas at San Antonio and Trinity University agree to establish, subject to the following provisions, a cross-enrollment program for U.S. Army military science studies.

1. The University of Texas at San Antonio will:

- a. Accept for enrollment in ROTC any qualified Trinity University student on the same basis as UTSA students.
- b. Provide academic credit for military science instruction to Trinity students who are cross-enrolled in the UTSA Army ROTC.
- c. Collect payment of tuition and fees from Trinity University students in accordance with the fee schedule established by the University of Texas System Board of Regents.

2. Trinity University will:

- a. Accept for transfer, UTSA military science courses completed by cross-enrolled Trinity University students.
- b. Provide facilities and space on its campus for:
 - (1) Completion of administrative requirements and disbursing of scholarship stipends, book fees, and other monies.

(2) Periodic counseling/advising of Trinity ROTC students.

c. Furnish official transcripts, upon request by the Professor of Military Science, for those Trinity students cross-enrolled in the UTSA Military Science Program. These documents are required each semester in order to update ROTC records and to monitor enrollment eligibility.

3. In support of this agreement, the Department of the Army will:

a. Furnish instructors and support staff for the program.

b. Provide military science textbooks, weapons, equipment, uniforms, and training aids through the UTSA Military Science Department at no cost to enrolled UTSA or Trinity students.

c. Disburse subsistence and scholarship funds for Trinity University students through the UTSA Military Science Department.

d. Provide Army administrative and supply support for all students through the UTSA Military Science Department.

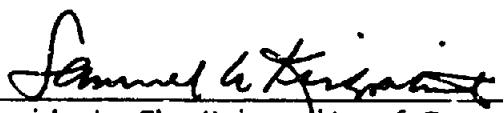
e. Ensure that military science achievement awards and honors are available to all students, regardless of their institutions.

4. It is understood by all parties that:

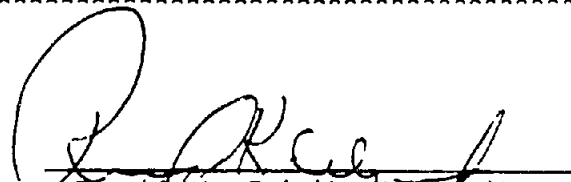
a. The ROTC program at The University of Texas at San Antonio will be administered in compliance with Department of the Army regulations and policies by the Professor of Military Science under the guidance of the Vice President for Academic Affairs and other designated UTSA officials.

b. The Professor of Military Science will coordinate scheduling and other instructional and administrative matters with the Vice President for Academic Affairs at Trinity University.

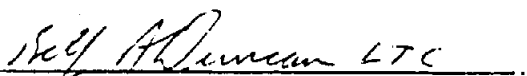
5. This agreement shall commence at the beginning of School Year 1991-92 and shall continue through School Year 1993-94 unless sooner terminated upon written notice by either party.

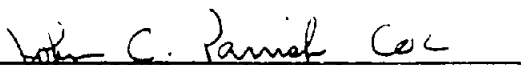

President, The University of Texas
at San Antonio

9/23/91
Date


President, Trinity University

9/30/91
Date


Professor of Military Science, The
University of Texas at San Antonio


Commander, U.S. Army Third Region
U.S. Army ROTC Cadet Command

FORM APPROVED:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Office of General Counsel
The University of Texas System

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

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing agreement was approved by the Board of Regents of the University of Texas System on the _____ day of _____, 19__ 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

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 254 - 257).--Committee Chairman Ramirez reported that the Health 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 Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Adoption of Policy Statement on Healthcare Risk Management.--Executive Vice Chancellor for Health Affairs Mullins reported that, in response to a recommendation made by the Advisory Committee to the Self-Insured Medical Liability Plan, a Task Force composed of representatives of each U. T. System health component was established to develop a healthcare quality and risk management program for The University of Texas System. The Task Force was assisted by Jardine HealthCare Services, a nationally known consulting firm, and every health component's risk management program was reviewed and strengths and weaknesses were identified. Dr. Mullins noted that over the past eighteen months the Task Force met several times and drafted policies to provide guidance for all the health components to accomplish the overall U. T. System goals for providing quality patient care and minimizing risk of loss and to allow for flexibility to meet the unique needs of each institution. The Task Force had recommended that the U. T. System adopt the following:

- a Regental policy statement on healthcare risk management
- implementation guidelines for quality and risk management
- the establishment of a U. T. System Office of Healthcare Quality and Risk Management
- guidelines for professional liability/risk management committees
- a policy statement on risk management educational programs.

Following Dr. Mullins' presentation and in response to a request from the U. T. System Self-Insured Medical Liability Plan Advisory Committee, the Board adopted the following U. T. System Policy Statement on Healthcare Risk Management:

POLICY STATEMENT ON HEALTHCARE RISK MANAGEMENT

It is the policy of the Board of Regents of The University of Texas System that all risks of loss be minimized by risk management and prevention programs, including risks associated with the provision of healthcare. The Board reaffirms the commitment of the University and all of its health components to establish and maintain programs whose purpose

is to promote the quality of care provided to patients. Wherever possible, the focus of these programs is to prevent loss or injury through:

- striving for quality in all aspects of patient care
- education of all levels of staff and employees
- providing basic elements for each component's quality and risk management program
- monitoring of activities resulting in loss of time, equipment, and resources
- compliance with federal, state and local codes, rules and regulations
- coordination and integration of programs in risk management and in quality improvement
- timely reporting of quality issues and adverse occurrences within component organizations and from components to U. T. System Administration.

By this policy, each health component is hereby delegated the operational responsibility to implement a health risk management and risk prevention program which will reflect the principles stated above.

Additionally, each program should reflect the principle that an effective risk management program is the responsibility of all levels of management and all personnel.

"Risk management/risk prevention" as used in this policy statement includes programs dealing with medical liability and quality management.

2. U. T. Southwestern Medical Center - Dallas: Authorization to Increase the Compulsory Student Services Fee Effective with the Fall Semester 1992 (Catalog Change).--
In accordance with Section 54.503 of the Texas Education Code, the Board authorized an increase in the Compulsory Student Services Fee at the U. T. Southwestern Medical School - Dallas of The University of Texas Southwestern Medical Center at Dallas from \$198 per academic year to \$217 per academic year effective with the Fall Semester 1992. In addition, the Compulsory Student Services Fee at the U. T. Southwestern G.S.B.S. - Dallas and the U. T. Southwestern A.H.S.S. - Dallas was increased from \$99 per semester or summer session to \$108 per semester or summer session.

The next appropriate catalog published at the U. T. Southwestern Medical Center - Dallas will be amended to reflect this action.

3. U. T. Southwestern Medical Center - Dallas: Approval of Changes in Parking Permit Fees Effective September 1, 1992 (Catalog Change).--Upon recommendation of the Health Affairs Committee, the Board approved changes in the annual parking permit fees at The University of Texas Southwestern Medical Center at Dallas effective September 1, 1992, as set out below:

	<u>1992-93</u> <u>Fees</u>
<u>Location/Type Parking</u>	
<u>Garage 1; Lot 1 & 5; Bldg. X; SAHS</u>	
Faculty Reserved	\$350
Faculty/Administrative & Professional Staff	150
<u>Garage 2 & 3; Lot 4; Bldg. X; Bldg. R; SAHS</u>	
Classified Employees	75
Classified Employees (Remote Lot)	40

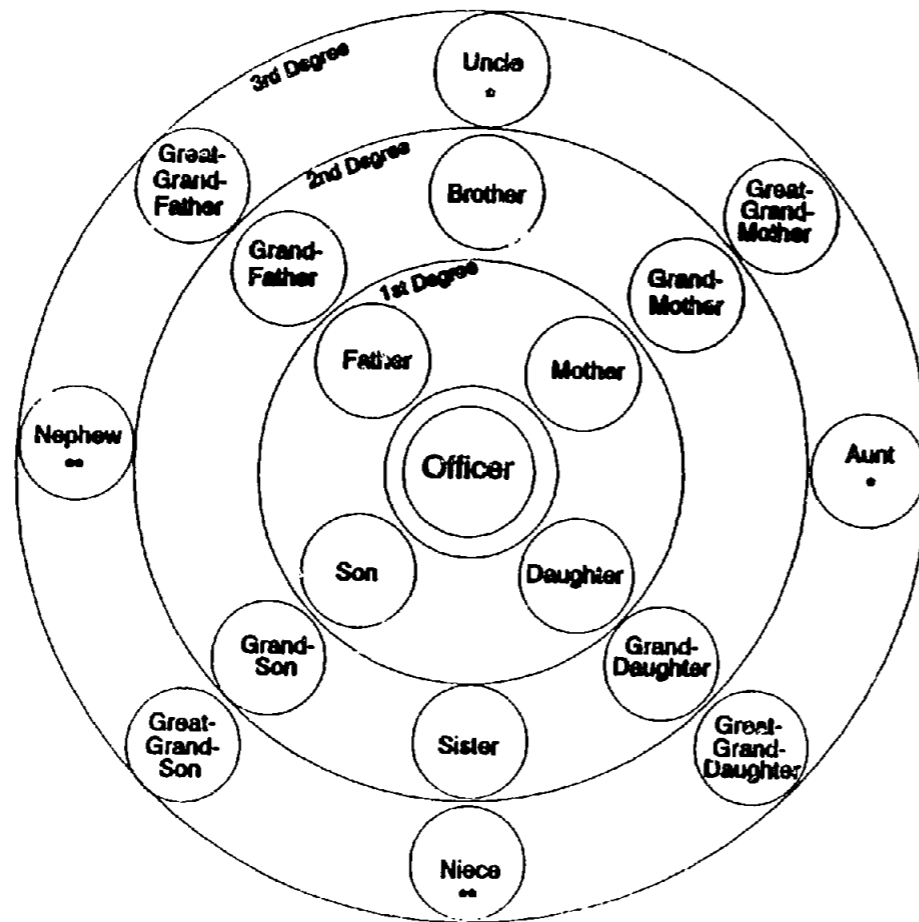
The fees reflect a seventeen percent increase for reserved faculty and administrative staff parking, a fifteen percent increase for general faculty, and a fourteen percent increase for general staff. Student parking fees remained unchanged. No parking fees are charged for disabled persons.

The next appropriate catalog published at the U. T. Southwestern Medical Center - Dallas will be amended to conform to this action.

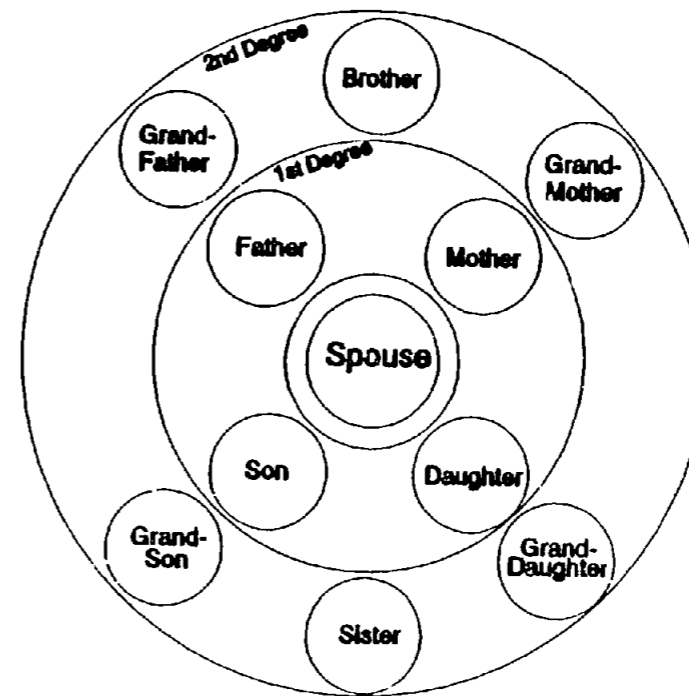
4. U. T. Medical Branch - Galveston (U. T. G.S.B.S. - Galveston): Establishment of a Doctoral Program in Experimental Pathology (Ph.D.) and Authorization to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--The Board, upon recommendation of the Health Affairs Committee, established a doctoral program in Experimental Pathology (Ph.D.) at the U. T. G.S.B.S. - Galveston of The University of Texas Medical Branch at Galveston and authorized submission of the proposal to the Texas Higher Education Coordinating Board for approval. The program will be implemented September 1, 1992, or as soon as appropriate upon approval by the Coordinating Board.

This program will build the current masters-level graduate program in pathology into a comprehensive research program at the Ph.D. level in Experimental Pathology. Modern biomedical research methods will be utilized to address the most fundamental aspects of the etiology and mechanisms of human disease. The Department of Pathology currently has the faculty resources and perspective to train students in the concepts and skills necessary to advance the understanding of human diseases through this program. Experimental pathologists help to bridge the gap between traditional basic biomedical researchers and clinical scientists because they study how aberrations in basic molecular and cellular processes lead to diseases or a malfunctioning biological system.

CONSANGUINITY KINSHIP



AFFINITY KINSHIP



* Who is a sister/brother of the officer's parent
 **Who is a child of the sister/brother of the officer

Table 1

The M.S. program will be retained as an option for students. The physical and fiscal resources necessary for the functioning of this program are already in place. Budgetary allocations for space, equipment, salaries, and supplies already exist for the masters-level program. Consequently, no additional costs to the State or the institution will be required to operate the doctoral program.

This program is consistent with the Role and Scope for the U. T. Medical Branch - Galveston.

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

5. U. T. Medical Branch - Galveston: Approval to Increase the Compulsory Student Services Fee Effective with the Fall Semester 1992 (Catalog Change).--In compliance with Section 54.503 of the Texas Education Code and upon recommendation of the Health Affairs Committee, the Board approved an increase in the Compulsory Student Services Fee at The University of Texas Medical Branch at Galveston effective with the Fall Semester 1992 as follows:

U. T. Medical School - Galveston

Year 1 - \$132 per academic year
Year 2 - \$198 per academic year
Year 3 - \$198 per academic year
Year 4 - \$198 per academic year

U. T. G.S.B.S. - Galveston, U. T. Allied Health Sciences School - Galveston, and U. T. Nursing School - Galveston

\$5.50 per semester credit hour
with a maximum fee of \$66.00.

It was ordered that the next appropriate catalog published at the U. T. Medical Branch - Galveston be amended to conform to this action.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 258 - 259).--Committee Chairman Moncrief reported that the Facilities Planning and Construction 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 Facilities Planning and Construction Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Southwestern Medical Center - Dallas - Research Building - Phase II North Campus Expansion (Project No. 303-755): Approval of Final Plans for Intercampus Connector; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Appropriation Therefor.--Upon recommendation of the Facilities Planning and Construction Committee, the Board:
 - a. Approved the final plans and specifications for an Intercampus Connector at an estimated total project cost of \$5,500,000, as part of the Research Building - Phase II North Campus Expansion at The University of Texas Southwestern Medical Center at Dallas
 - b. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and the Executive Committee to award all contracts associated with the Intercampus Connector within the authorized total project cost for this phase of work
 - c. Appropriated \$5,500,000 from U. T. Southwestern Medical Center - Dallas Interest on Designated Funds Time Deposits for total project funding of the Intercampus Connector. It is understood that St. Paul Medical Center will contribute approximately \$953,270 toward the total project cost of the Intercampus Connector as its share of the total project cost for connecting its building with this project. This appropriation is within the approved total project cost of \$67,800,000 and is in addition to the previously approved appropriation of \$2,000,000 for fees and administrative expenses involved in preparing preliminary plans for the entire project.

The Intercampus Connector is an overhead busway/pedestrianway intended to provide transportation, data, and communications links between the main campus and the north campus. The connector will provide for two-way bus traffic and a pedestrian walkway. In addition, the structure of the connector will carry conduit for a telephone system and computer links for research and clinical care activities. The connector will include pick-up and drop-off stations at each campus and, on the main campus, will include an overhead crosswalk from the station to the Cecil H. and Ida Green Science Building.

This project is included in the 1991 Capital Improvement Plan and the FY 1992 Capital Budget. Funding is \$20,000,000 from Permanent University Fund Bond Proceeds and \$47,800,000 from Revenue Financing System Bond Proceeds. Approval of this item results in a reduction of \$5,500,000 in the sum of money to be obtained from Revenue Financing System Bond Proceeds.

This project was approved by the Texas Higher Education Coordinating Board in October 1991.

2. U. T. Medical Branch - Galveston: Authorization for Executive Vice Chancellor for Health Affairs to Execute All Documents Related to Acceptance of Gift of Land and Improvements Located at 1902 Water Street, Galveston, Galveston County, Texas, from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas.--- Authorization was granted for the Executive Vice Chancellor for Health Affairs to execute all documents required to accept a gift of land and improvements located at 1902 Water Street in Galveston, Galveston County, Texas, from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, for the benefit of The University of Texas Medical Branch at Galveston following performance of an environmental audit and approval by the Office of General Counsel.

This gift includes 164,800 square feet of land and two warehouse buildings with approximately 126,000 and 40,000 gross square feet of space, respectively, which were previously occupied by the Lipton Tea Company. When renovated, this property will allow for relocation of numerous support functions and thereby free up badly needed space for direct patient care and research activities.

REPORT AND RECOMMENDATIONS OF THE ASSET MANAGEMENT COMMITTEE (Pages 259 - 299).--Committee Chairman Cruikshank reported that the Asset Management Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, all actions set forth in the Minute Orders which follow were recommended by the Asset Management Committee and approved in open session and without objection by the U. T. Board of Regents.

I. PERMANENT UNIVERSITY FUND

INVESTMENT MATTER

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

	<u>November 1991</u>	<u>December 1991</u>	<u>Cumulative Through December of this Fiscal Year (1991-1992)</u>	<u>Cumulative Through December of Preceding Fiscal Year (1990-1991)</u>	<u>Per Cent Change</u>
Permanent University Fund					
Royalty					
Oil	\$3,511,120.94	\$4,480,180.37	\$16,531,731.36	\$26,738,078.99	-38.17%
Gas	1,071,954.34	1,453,397.00	4,556,654.52	6,984,791.86	-34.76%
Sulphur	0.00	0.00	0.00	0.00	--
Water	34,240.60	34,268.94	189,351.67	210,197.46	-9.92%
Brine	4,375.03	3,900.95	20,394.07	23,205.87	-12.12%
Trace Minerals	0.00	0.00	0.00	0.00	--
Rental					
Oil and Gas Leases	77,039.41	11,623.64	263,914.35	300,073.72	-12.05%
Other	100.00	4,795.70	3,847.70	1,500.00	156.51%
Sale of Sand, Gravel, Etc.	0.00	0.00	0.00	8,477.75	--
Total University Lands Receipts Before Bonuses	<u>4,698,830.32</u>	<u>5,988,166.60</u>	<u>21,565,893.67</u>	<u>34,266,325.65</u>	<u>-37.06%</u>
Bonuses					
Oil and Gas Lease Sales	0.00	0.00	0.00	0.00	--
Amendments and Extensions to Mineral Leases	0.00	0.00	0.00	83,822.64	--
Total University Lands Receipts	<u>4,698,830.32</u>	<u>5,988,166.60</u>	<u>21,565,893.67</u>	<u>34,350,148.29</u>	<u>-37.22%</u>
Gain or (Loss) on Sale of Securities	<u>(1,888,394.10)</u>	<u>(1,410,759.91)</u>	<u>7,671,529.37</u>	<u>(51,574,455.59)</u>	<u>114.87%</u>
TOTAL CLEARANCES	<u>\$2,810,436.22</u>	<u>\$4,577,406.69</u>	<u>\$29,237,423.04</u>	<u>\$(17,224,307.30)</u>	<u>269.75%</u>

Oil and Gas Development - December 31, 1991

Acreage Under Lease - 662,549

Number of Producing Acres - 536,734

Number of Producing Leases - 2,138

II. TRUST AND SPECIAL FUNDS

Gifts, Bequests and Estates

1. U. T. System and U. T. Austin: Acceptance of Bequests from the Estate of Julian C. Barton, Bexar County, Texas, and Establishment of the Julian C. Barton Endowment for Human Ecology in the College of Natural Sciences and the Julian C. Barton Regents Endowed Scholarship in Marine Science at Marine Science Institute.--Upon recommendation of the Asset Management Committee, the Board accepted specific bequests of \$75,000 each from the Estate of Julian C. Barton, Bexar County, Texas, for the benefit of The University of Texas System and The University of Texas at Austin and established the following quasi-endowments at U. T. Austin:

- a. Julian C. Barton Endowment for Human Ecology in the Department of Human Ecology, College of Natural Sciences (bequest to U. T. System)

A specific purpose for the endowment will be designated at a later date. Until that time, all income earned from the endowment will be reinvested in the corpus of the endowment.

- b. Julian C. Barton Regents Endowed Scholarship in Marine Science for the benefit of the Marine Science Institute (bequest to U. T. Austin)

Income earned from the endowment will be used to provide scholarship support for students at the Institute under management of the Institute Director.

2. U. T. Arlington: Approval to Accept Gift from Mr. William J. Commer, St. Charles, Missouri, and Corporate Matching Funds from Venture Stores, Incorporated, O'Fallon, Missouri, and Establishment of the William J. Commer Endowment Fund.--The Asset Management Committee recommended and the Board accepted a \$6,500 gift from Mr. William J. Commer, St. Charles, Missouri, and \$6,500 in corporate matching funds from Venture Stores, Incorporated, O'Fallon, Missouri, for a total of \$13,000 and established the William J. Commer Endowment Fund at The University of Texas at Arlington.

Income earned from the endowment will be used to assist faculty development in the school of Architecture.

3. U. T. Austin: Acceptance of Bequest from the Estate of Hazel C. Besserer, Los Angeles, California, for Addition to the C. W. Besserer Memorial Endowed Presidential Scholarship for Mechanical Engineers in the College of Engineering.--The Board accepted a bequest in the amount of \$36,943.50 from the Estate of Hazel C. Besserer, Los Angeles, California, for addition to the C. W. Besserer Memorial Endowed Presidential scholarship for Mechanical Engineers in the College of Engineering at The University of Texas at Austin.

4. U. T. Austin: Approval to Establish the Joyce M. Burg--Class of 1926 Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to establish the Joyce M. Burg--Class of 1926 Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$25,000) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

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

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

5. U. T. Austin: Acceptance of Gift from Dr. Richard J. Connelly, Austin, Texas, and Establishment of the Richard J. Connelly College of Education Centennial Endowed Scholarship in the College of Education.--The Board accepted a \$10,000 gift from Dr. Richard J. Connelly, Austin, Texas, and established the Richard J. Connelly College of Education Centennial Endowed Scholarship in the College of Education at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarship support to degree-holding students who are earning an initial teaching certificate, with preference given to those in their student teaching semester.

6. U. T. Austin: Establishment of the John H. Crooker, Jr. Endowed Presidential Scholarship in Law in the School of Law.--At the request of The University of Texas Law School Foundation (an external foundation), the Board established the John H. Crooker, Jr. Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$25,000) will be held and administered by the Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

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

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

7. U. T. Austin: Approval to Establish the Tom Martin Davis Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to establish the Tom Martin Davis Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$66,668) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to one or more second or third-year resident students of good character and integrity in the top fifty percent of their law school class. Students will be selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

8. U. T. Austin: Acceptance of Gift and Pledge from Dr. Raymond Estep, Norman, Oklahoma, and Establishment of the Raymond Estep History Scholarship Fund in the College of Liberal Arts and Eligibility for Matching Funds Under The Regents' Endowment Program.--Upon recommendation of the Asset Management Committee, the Board accepted a \$10,000 gift and a \$15,000 pledge, payable by August 31, 1995, from Dr. Raymond Estep, Norman, Oklahoma, for a total of \$25,000 and established the Raymond Estep History Scholarship Fund in the Department of History, College of Liberal Arts, at The University of Texas at Austin.

Further, \$12,500 in matching funds will be allocated under The Regents' Endowment Program and will be used to increase the endowment to a total of \$37,500.

Income earned from the endowment will be used to provide scholarship support to one or more doctoral candidates whose principal area of study is in Latin American History, based on need or merit.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

9. U. T. Austin: Establishment of the George Pierre Gardere Endowed Presidential Scholarship in Law in the School of Law.--The Board, upon recommendation of the Asset Management Committee, established the George Pierre Gardere Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$66,668) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students, with preference being given to members of the T Association who lettered in football. Second preference is to be given to members of the T Association, male and female, who lettered in a varsity sport. Thereafter, preference is to be given to any qualified student in need.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

10. U. T. Austin: Acceptance of Gift from Mrs. Margaret Gibson, Quitman, Texas, for Addition to the Thomas J. Gibson IV Memorial Scholarship in the College of Fine Arts and Authorization to Redesignate as the Thomas J. Gibson IV Endowed Presidential Scholarship.--In accordance with the donor's request, the Board accepted a \$10,000 gift from Mrs. Margaret Gibson, Quitman, Texas, for addition to the Thomas J. Gibson IV Memorial Scholarship in the Department of Music, College of Fine Arts, at The University of Texas at Austin.

Since this contribution will increase the endowment to a total in excess of \$25,000, the Board redesignated the Scholarship as the Thomas J. Gibson IV Endowed Presidential Scholarship.

11. U. T. Austin: Acceptance of Gifts from Ms. Frances E. Goff, Houston, Texas, and Various Donors and Establishment of the Frances Goff Scholarship Fund in the Lyndon B. Johnson School of Public Affairs.--The Asset Management Committee recommended and the Board accepted a \$13,000 gift from Ms. Frances E. Goff, Houston, Texas, and \$12,000 in gifts from various donors for a total of \$25,000 and established the Frances Goff Scholarship Fund in the Lyndon B. Johnson School of Public Affairs at The University of Texas at Austin.

Income earned from the endowment will be used to support summer internships in the Office of the Governor of the State of Texas for students of the Lyndon B. Johnson School of Public Affairs, with preference given to former citizens of the Texas Girls State Program.

12. U. T. Austin: Establishment of the Oveta Culp Hobby Endowed Presidential Scholarship in Law in the School of Law.--at the request of the Law School Foundation (an external foundation), the Board established the Oveta Culp Hobby Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment in the amount of \$37,500 will be held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students based on need or merit, with preference given to students in the joint degree program between the School of Law and the Lyndon B. Johnson School of Public Affairs.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

13. U. T. Austin: Approval to Establish the William P. Hobby Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to establish the William P. Hobby Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$37,500) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

Income earned from the endowment will be used to award scholarships to law students based on need or merit, with preference given to students in the joint degree program between the School of Law and the Lyndon B. Johnson School of Public Affairs.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

14. U. T. Austin: Establishment of the Jenkins & Gilchrist Endowed Presidential Scholarship in Law and the Sander W. Shapiro Endowed Presidential Scholarship in Law in the School of Law.--The Board, at the request of the Law School Foundation (an external foundation), established the following endowments in the School of Law at The University of Texas at Austin:

- a. Jenkins & Gilchrist Endowed Presidential Scholarship in Law

Income earned from the Jenkins & Gilchrist Endowed Presidential Scholarship in Law will be used to award scholarships to law students selected at the discretion of the Dean of the School of Law or the Dean's designee, based on merit or need.

- b. Sander W. Shapiro Endowed Presidential Scholarship in Law

Income earned from the Sander W. Shapiro Endowed Presidential Scholarship in Law will be used to award scholarships to a member of the Texas Law Review, with preference given to members of the editorial board, based upon recommendations of the Texas Law Review Association.

The funds for these endowments (\$37,500 each) will be held and administered by The University of Texas Law School Foundation in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowments to the U. T. Board of Regents.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

15. U. T. Austin: Acceptance of Gift from Mrs. Jean R. Kindle, Austin, Texas, and Corporate Matching Funds from the Exxon Education Foundation, Irving, Texas; Establishment of the Jean Raleigh Kindle and W. L. (Pup) Kindle Endowed Scholarship in the College of Business Administration; and Eligibility for Matching Funds Under The Regents' Endowment Program.--Upon recommendation of the Asset Management Committee, the Board accepted 175 shares of Exxon Corporation common stock, valued at \$10,062.50, from Mrs. Jean R. Kindle, Austin, Texas, and \$15,000 in corporate matching funds from the Exxon Education Foundation, Irving, Texas, for a total gift value of \$25,062.50 and established the Jean Raleigh Kindle and W. L. (Pup) Kindle Endowed Scholarship in the College of Business Administration at The University of Texas at Austin.

Further, \$12,500 in matching funds will be allocated under The Regents' Endowment Program and will be used to increase the endowment to a total of \$37,562.50.

Income earned from the endowment will be used to provide scholarship support to students in the College of Business Administration.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

16. U. T. Austin: Acceptance of Remainder Interest in the Milburn Family Charitable Remainder Trust from Mr. and Mrs. Malcolm L. Milburn, Austin, Texas, and Appointment of the U. T. Board of Regents as Trustee of the Trust.--The Asset Management Committee recommended and the Board accepted the remainder interest in the Milburn Family Charitable Remainder Trust, initially funded with a gift of 2,585 shares of Commercial Metals Company common stock valued at \$50,892.19, from Mr. and Mrs. Malcolm L. Milburn, Austin, Texas, for the benefit of The University of Texas at Austin. In addition, the U. T. Board of Regents accepted appointment as Trustee of the Trust.

The trust agreement provides for the annual distribution of seven percent of the initial net fair market value of the trust assets to be paid quarterly to Mr. and Mrs. Malcolm L. Milburn during their lifetimes. Such payments shall be made from income earned on the trust assets and, to the extent that income is insufficient, from the corpus. In any year that the income is greater than seven percent of the initial net fair market value of the trust assets, excess income shall be added to the corpus of the Trust.

Upon termination of the Trust, the corpus and any accumulated or undistributed income of the Trust shall be distributed to establish the Beryl Buckley Milburn Endowed Presidential Scholarship in the College of Education at U. T. Austin. A request to establish the endowment will be made at a later date.

17. U. T. Austin: Redesignation of the Philosophy Faculty Fellowship in the College of Liberal Arts as the Edmund L. Pincoffs Faculty Fellowship in Philosophy.--In accordance with the donor's request, the Board redesignated the Philosophy Faculty Fellowship in the Department of Philosophy, College of Liberal Arts, at The University of Texas at Austin as the Edmund L. Pincoffs Faculty Fellowship in Philosophy.

18. U. T. Austin: Authorization to Appropriate Matching Funds from The Regents' Endowment Program for Four Previously Established Endowments.--The Board authorized the appropriation of matching funds totalling \$409,215.85 from The Regents' Endowment Program to increase the following previously established endowments at The University of Texas at Austin:

<u>Eligible Endowment</u>	<u>Qualifying Gift</u>	<u>Matching Amount</u>
<u>College of Business Administration and Graduate School of Business</u>		
Price Waterhouse Endowed Faculty Fellowship in Accounting	\$ 66,665.00	\$ 33,335.00
<u>College of Education</u>		
Sid W. Richardson Regents Chair in Community College Leadership	\$ 46,761.70	\$ 23,380.85
<u>College of Natural Sciences</u>		
M. June and J. Virgil Waggoner Regents Chair in Chemistry	\$675,000.00	\$337,500.00
<u>College of Pharmacy</u>		
Gustavus and Louise Pfeiffer Professorship in Toxicology	\$ 30,000.00	\$ 15,000.00

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

19. U. T. Austin: Redesignation of the George E. Seay, Sr. Scholarship in the School of Law as the George E. Seay Endowed Presidential Scholarship in Law.--In compliance with the donor's request, the Board redesignated the George E. Seay, Sr. Scholarship in the School of Law at The University of Texas at Austin as the George E. Seay Endowed Presidential Scholarship in Law. The funds for the endowment (\$62,500) are held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

20. U. T. Austin: Acceptance of Gifts from Various Donors and Establishment of the Steve K. Sin Endowed Presidential Scholarship in Engineering in the College of Engineering.--Upon recommendation of the Asset Management Committee, the Board accepted \$25,000 in gifts from various donors and established the Steve K. Sin 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 support scholarships to full-time junior or senior engineering students maintaining a minimum 3.0 grade point average, good character, and interest in and potential for a successful engineering career.

21. U. T. Austin: Approval to Establish the Herbert F. and Vivian V. Singletary Endowed Presidential Scholarship in Law in the School of Law.--Approval was given to establish the Herbert F. and Vivian V. Singletary Endowed Presidential Scholarship in Law in the School of Law at The University of Texas at Austin. The funds for the endowment (\$50,500) will be held and administered by The University of Texas Law School Foundation (an external foundation) in accordance with the Regents' Rules and Regulations. When matching funds become available under The Regents' Endowment Program, the Law School Foundation will transfer funds held for the endowment to the U. T. Board of Regents.

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

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

22. U. T. Austin: Acceptance of Remainder Interest in The Surginer Family Charitable Remainder Trust from Mr. Leslie Surginer, Myrtle Beach, South Carolina, and Appointment of the U. T. Board of Regents as Trustee of the Trust.--The Asset Management Committee recommended and the Board accepted the remainder interest in The Surginer Family Charitable Remainder Trust, initially funded with a \$200,000 gift from Mr. Leslie Surginer, Myrtle Beach, South Carolina, for the benefit of The University of Texas at Austin. Additionally, the U. T. Board of Regents accepted appointment as Trustee of the Trust.

The trust agreement provides for the annual distribution of eight percent of the initial net fair market value of the trust assets to be paid quarterly to Mr. and Mrs. Leslie Surginer during their lifetimes. Such payments shall be made from income earned on the trust assets and, to the extent that income is insufficient, from the corpus. In any year that the income is greater than eight percent of the initial net fair market value of the trust assets, excess income shall be added to the corpus of the Trust.

Upon termination of the Trust, the corpus and any accumulated or undistributed income of the Trust shall be distributed to establish one or more endowed academic positions in the College of Natural Sciences at U. T. Austin, as outlined in the Charter of Surginer Endowed Professorship attached to the trust agreement. A request to establish the endowment(s) will be made at a later date.

23. U. T. Austin: Acceptance of Bequest from the Estate of Elizabeth M. Teagle, San Antonio, Texas, and Establishment of the John and Elizabeth M. Teagle Scholarship in Petroleum Geology in the College of Natural Sciences.--The Board, upon recommendation of the Asset Management Committee, accepted a bequest of one-third of the residual estate of Elizabeth M. Teagle, San Antonio, Texas, comprised of cash and a mineral interest totalling \$438,903 and established a quasi-endowment to be named the John and Elizabeth M. Teagle Scholarship in Petroleum Geology in the Department of Geological Sciences, College of Natural Sciences, at The University of Texas at Austin.

Income earned from the endowment will be used to provide scholarship support for graduate and undergraduate students concentrating their studies in areas of petroleum geology.

24. U. T. Austin: Authorization to Accept Gift and Pledge from the Texaco Foundation, White Plains, New York, and to Establish the Texaco Steamflooding Lab Endowment in the College of Engineering.--Authorization was granted to accept a \$25,000 gift and \$25,000 in pledges, payable by December 31, 1992, from the Texaco Foundation, White Plains, New York, for a total of \$50,000 and to establish the Texaco Steamflooding Lab Endowment in the Department of Petroleum Engineering, College of Engineering, at The University of Texas at Austin.

Income earned from the endowment will be used to maintain and improve equipment and for activities and facilities necessary for research and teaching functions in the Chemical and Petroleum Engineering Building at U. T. Austin.

See Page 226 related to renaming a classroom in the Chemical and Petroleum Engineering Building.

25. U. T. Austin: Acceptance of Gift from Mrs. Anice Vanderlee, Austin, Texas; Establishment of the Albert and Anice Vanderlee Endowed Scholarship Fund; and Eligibility for Matching Funds Under The Regents' Endowment Program.--The Board accepted a \$100,000 gift from Mrs. Anice Vanderlee, Austin, Texas, and established the Albert and Anice Vanderlee Endowed Scholarship Fund at The University of Texas at Austin.

Further, \$50,000 in matching funds will be allocated under The Regents' Endowment Program and will be used to increase the endowment to a total of \$150,000.

Income earned from the endowment will be used to provide scholarship support for students on the basis of academic achievement and financial need. Recipient selection and awards shall be administered by the Office of Student Financial Services at U. T. Austin.

See Page 229 related to the approval of The Regents' Endowment Program guidelines.

26. U. T. Dallas: Approval to Accept a Grant from the Excellence in Education Foundation, Dallas, Texas, to Establish Nine Endowments and Gift of a 76.3553 Acre Tract of Land Adjacent to South Boundary of Campus to Establish an Endowment.--Upon recommendation of the Asset Management Committee, the Board accepted gifts from the Excellence in Education Foundation, Dallas, Texas, for the benefit of The University of Texas at Dallas as detailed below:

a. A \$5,050,000 grant to establish nine endowments as follows:

1. Four Excellence in Education Chairs, funded with \$500,000 each, for a total of \$2,000,000 to be named as follows:

Excellence in Education Chair in the Erik Jonsson School of Engineering and Computer Science No. 1

Excellence in Education Chair in the Erik Jonsson School of Engineering and Computer Science No. 2

Excellence in Education Chair in the School of Natural Sciences and Mathematics No. 1

Excellence in Education Chair in the School of Natural Sciences and Mathematics No. 2.

Income earned from each of the four endowments will be used to support each Chair, respectively.

2. Two Excellence in Education Fellowship Endowments, funded with \$1,000,000 each, for a total of \$2,000,000 to be named as follows:

Excellence in Education Fellowship Endowment No. 1

Excellence in Education Fellowship Endowment No. 2.

Income earned from Fellowship No. 1 will be used to support fellowships, based on merit, to graduate students in the Erik Jonsson School of Engineering and Computer Science.

Income earned from Fellowship No. 2 will be used to support fellowships, based on merit, to graduate students in the School of Natural Sciences and Mathematics.

3. Two Excellence in Education Research Endowments, funded with \$350,000 each, for a total of \$700,000 to be named as follows:

Excellence in Education Research Endowment No. 1

Excellence in Education Research Endowment No. 2.

Income earned from Endowment No. 1 will be used to support research activities of faculty and graduate students in the Erik Jonsson School of Engineering and Computer Science, as directed by the Dean.

Income earned from Endowment No. 2 will be used to support research activities of faculty and graduate students in the School of Natural Sciences and Mathematics, as directed by the Dean.

4. One endowment funded with \$350,000 to be named the Endowment for the Cecil and Ida Green Center for the Study of Science and Society.

Income earned from the Endowment will be used to support the operation of the Cecil and Ida Green Center for the Study of Science and Society at U. T. Dallas.

- b. A gift of a 76.3553 acre tract of land adjacent to the South boundary of the U. T. Dallas campus conveyed by Deed of Gift on July 19, 1991, to establish a permanent endowment.

Under the terms of the Deed of Gift, a tract of land at least 25 acres in size contiguous to the current U. T. Dallas campus extending to the North line of Campbell Road shall be reserved for the enlargement of the U. T. Dallas campus until at least July 1, 2006. The Deed of Gift provides that all income earned from the endowment, comprised of the real estate and proceeds from sale of all or part of the endowment property (after deducting all expenses of sale and related expenditures for paving, improvements and maintenance thereon or related thereto) as well as net rentals from the leasing of the real estate, shall be used to establish or support chairs for faculty and scholarships for students in the Erik Jonsson School of Engineering and Computer Science and the School of Natural Sciences and Mathematics at U. T. Dallas. A recommendation for naming of the land endowment and establishing other endowments will be submitted to the U. T. Board of Regents for approval as appropriate at future meetings. The entire tract will be administered as endowment property subject to the potential use of a tract of at least 25 acres for campus enlargement.

Chancellor Mark reported that the Excellence in Education Foundation has been a major supporter and contributor to U. T. Dallas and The University of Texas Southwestern Medical Center at Dallas for many years. He acknowledged that the acceptance of these gifts to U. T. Dallas will mark the last time The University of Texas System will benefit from the generous support of the Foundation as it is being voluntarily dissolved and its assets distributed.

Dr. Mark noted that over the years the Foundation has contributed very generously in cash and real estate to U. T. Dallas including funds for the construction of the Erik Jonsson School of Engineering and Computer Science and the aforementioned endowments. He pointed out that the acceptance of these gifts signals the end of one era and the beginning of a new era for U. T. Dallas and provides resources essential to the continued development of academic and research programs of eminence.

27. U. T. El Paso: Acceptance of Gift from Mrs. Virginia D. Elliott, El Paso, Texas, and Establishment of the Joel D. Davis Memorial Scholarship Fund.--The Asset Management Committee recommended and the Board accepted a \$10,000 gift from Mrs. Virginia D. Elliott, El Paso, Texas, and established the Joel D. Davis Memorial Scholarship Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to award an annual scholarship to an undergraduate student pursuing a degree leading to a career in the field of special education.

28. U. T. El Paso: Approval to Accept Bequest from the Estate of William Joseph Muldowney, El Paso, Texas, and to Establish the William Joseph Muldowney Memorial Endowed Library Fund.--Pursuant to a settlement agreement dated March 14, 1991, approval was given to accept a bequest totalling \$63,643.68 from the Estate of William Joseph Muldowney, El Paso, Texas, and to establish a quasi-endowment to be named the William Joseph Muldowney Memorial Endowed Library Fund at The University of Texas at El Paso.

Income earned from the endowment will be used to purchase "Great Books" and "Classics" for the U. T. El Paso Library in accordance with the terms of Mr. Muldowney's Last Will and Testament.

29. U. T. Southwestern Medical Center - Dallas: Acceptance of Gift and Pledge from the Burlington Northern Foundation, Fort Worth, Texas, and Establishment of the Burlington Northern Fund for a Visiting Lectureship in Trauma.--The Board, upon recommendation of the Asset Management Committee, accepted a \$25,000 gift and a \$25,000 pledge, payable by October 31, 1992, from the Burlington Northern Foundation, Fort Worth, Texas, for a total of \$50,000 and established the Burlington Northern Fund for a Visiting Lectureship in Trauma at The University of Texas Southwestern Medical Center at Dallas.

Income earned from the endowment will be used to support a special lecture series in trauma through the Department of Surgery at the U. T. Southwestern Medical Center - Dallas.

30. U. T. Southwestern Medical Center - Dallas: Authorization to Accept Gift from Various Donors and to Establish the Seymour B. Gostin Endowment Fund for a Lectureship in Ophthalmology.--Authorization was given to accept \$50,060 in gifts from various donors and to establish the Seymour B. Gostin Endowment Fund for a Lectureship in Ophthalmology at The University of Texas Southwestern Medical Center at Dallas.

Income earned from the endowment will be used to support a special lecture series in ophthalmology through the Department of Ophthalmology at the U. T. Southwestern Medical Center - Dallas.

31. U. T. Southwestern Medical Center - Dallas: Acceptance of Gifts from Various Donors and Establishment of the Dr. Paul Peters Fund in Urology.--Upon recommendation of the Asset Management Committee, the Board accepted \$61,455 in gifts from various donors and established the Dr. Paul Peters Fund in Urology at The University of Texas Southwestern Medical Center at Dallas.

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

32. U. T. Medical Branch - Galveston: Approval to Accept Distribution from the Evelyn Maxwell Harris Testamentary Trust, Austin, Texas, and to Establish The Frank Alexander Maxwell, M.D. Memorial Scholarship.--Approval was given to accept a distribution in the amount of \$20,000 from the Evelyn Maxwell Harris Testamentary Trust, Austin, Texas, and to establish an endowment at The University of Texas Medical Branch at Galveston to be named The Frank Alexander Maxwell, M.D. Memorial Scholarship.

Income earned from the endowment will be used to support scholarships based on financial need.

33. U. T. Medical Branch - Galveston: Acceptance of Gift and Pledge from the Harris and Eliza Kempner Fund, Galveston, Texas, and Establishment of the Kempner Scholarship Fund for Allied Health Students.--The Board accepted a \$37,500 gift and a \$25,000 pledge, payable by December 31, 1993, from the Harris and Eliza Kempner Fund, Galveston, Texas, for a total of \$62,500 and established the Kempner Scholarship Fund for Allied Health Students at The University of Texas Medical Branch at Galveston.

Income earned from the endowment will be used to support scholarships to encourage students to pursue careers in the allied health professions at the U. T. Allied Health Sciences School - Galveston. Scholarships will be awarded to students pursuing degrees in physical therapy, occupational therapy, medical technology, health information management, physicians assistant studies, health-related studies and graduate studies.

34. U. T. Health Science Center - Houston: Acceptance of Gifts from Various Donors and Establishment of the Dean Ornish, M.D. Endowed Scholarship.--The Asset Management Committee recommended and the Board accepted \$10,000 in gifts from various donors and established the Dean Ornish, M.D. Endowed Scholarship at The University of Texas Health Science Center at Houston.

Income earned from the endowment will be used to provide scholarships to nursing students based on financial need and academic merit.

35. U. T. M.D. Anderson Cancer Center: Acceptance of Bequest from the Estate of Claude F. Brock, Jefferson County, Texas.--Upon recommendation of the Asset Management Committee, the Board accepted a bequest of fifty percent of the residue of the Estate of Claude F. Brock, Jefferson County, Texas, totalling \$20,936.22 to support programs within the Division of Pediatrics at The University of Texas M.D. Anderson Cancer Center.
36. U. T. M.D. Anderson Cancer Center: Authorization to Accept Remainder Interest in the Ruth Wesson Broll Testamentary Trust, Amarillo, Texas.--Authorization was granted to accept the remainder interest in the Ruth Wesson Broll Testamentary Trust, Amarillo, Texas (to be held in trust by the Amarillo National Bank, Amarillo, Texas), initially valued at approximately \$143,000 for unrestricted use by The University of Texas M.D. Anderson Cancer Center. A final report will be made at a later date.
37. U. T. M.D. Anderson Cancer Center: Approval to Accept Remainder Interest in the Virginia Flanary Trust, Houston, Texas.--The Board accepted a one-third remainder interest in the Virginia Flanary Trust, Houston, Texas, valued at \$11,017.65 to support leukemia research at The University of Texas M.D. Anderson Cancer Center.
38. U. T. M.D. Anderson Cancer Center: Approval to Accept Gift from the Minnie Underwood Foundation by Mr. and Mrs. Fred Q. Underwood, Lubbock, Texas, and to Establish the Charles A. LeMaistre Lectureship in Oncology.--The Asset Management Committee recommended and the Board accepted a \$25,000 gift from the Minnie Underwood Foundation by Mr. and Mrs. Fred Q. Underwood, Lubbock, Texas, and established an endowed lecture series to be named the Charles A. LeMaistre Lectureship in Oncology at The University of Texas M.D. Anderson Cancer Center.

Income earned from the endowment will be used to bring outstanding physicians and scientists to the U. T. M.D. Anderson Cancer Center annually to lecture to faculty and trainees.

39. U. T. M.D. Anderson Cancer Center: Approval to Accept Gift of a 1.5989 Acre Tract of Land Located in the Unrestricted Reserve "B" of Brentwood Addition, Section One (1), an Addition in Harris County, Texas, from Mr. Richard H. McClendon, Houston, Texas.--Approval was given to accept a gift of a 1.5989 acre tract of land located in the unrestricted Reserve "B" of Brentwood Addition, Section One (1), an addition in Harris County, Texas, with an appraised value of \$63,000 from Mr. Richard H. McClendon, Houston, Texas, for the benefit of The University of Texas M.D. Anderson Cancer Center. An environmental assessment revealed no contamination on the property. A previous gift of property from Mr. McClendon resulted in University ownership of an adjacent 1.0876 acre tract.

The property will be sold at a later date at fair market value with the net proceeds to be used for the unrestricted use of U. T. M.D. Anderson Cancer Center.

40. U. T. M.D. Anderson Cancer Center: Approval to Accept Remainder Interest in the Urben W. Sanders, Jr. Testamentary Trust, Houston, Texas.--Upon recommendation of the Asset Management Committee, the Board accepted a forty percent remainder interest in the Urben W. Sanders, Jr. Testamentary Trust, Houston, Texas (to be held in trust by NationsBank), initially valued at approximately \$695,000 for use in cancer research at The University of Texas M.D. Anderson Cancer Center. A final report will be made at a later date.
41. U. T. M.D. Anderson Cancer Center: Authorization to Accept Gift from T. J. Brown & C. A. Lupton Foundation, Inc., Fort Worth, Texas, and to Establish the Gloria Lupton Tennison Professorship in Lung Cancer Research.-- Authorization was given to accept a \$150,000 gift from the T. J. Brown & C. A. Lupton Foundation, Inc., Fort Worth, Texas, and to establish the Gloria Lupton Tennison Professorship in Lung Cancer Research at The University of Texas M.D. Anderson Cancer Center.
- Income earned from the endowment will be used to support the Professorship.
42. U. T. M.D. Anderson Cancer Center: Approval to Accept Remainder Interest in the Sarah D. Tilly Charitable Remainder Annuity Trust, Austin, Texas.--The Board accepted a twenty-five percent remainder interest initially valued at approximately \$115,000 in the Sarah D. Tilly Charitable Remainder Annuity Trust, Austin, Texas (to be held in trust by Deborah Sue Dannelley), for unrestricted use at The University of Texas M.D. Anderson Cancer Center. A final report will be made at a later date.
43. U. T. Health Center - Tyler: Acceptance of Remainder Interest in The Martin W. and Mary Jane Hellar Charitable Remainder Trust from Mr. and Mrs. Martin W. Hellar, Chandler, Texas, and Appointment of the U. T. Board of Regents as Trustee of the Trust.--The Asset Management Committee recommended and the Board accepted a seventy-five percent remainder interest in The Martin W. and Mary Jane Hellar Charitable Remainder Trust, initially funded with a gift of 1,514 shares of General Electric Company common stock, valued at \$116,294.12 from Mr. and Mrs. Martin W. Hellar, Chandler, Texas, for the benefit of The University of Texas Health Center at Tyler. In addition, the U. T. Board of Regents accepted appointment as Trustee of the Trust.

The trust agreement provides for the payment of six percent of the annual net fair market value of the trust assets or the actual income, whichever is less, to be paid quarterly to Mr. and Mrs. Martin W. Hellar during their lifetimes.

Upon termination of the Trust, seventy-five percent of the corpus and any accumulated or undistributed income of the Trust shall be distributed to the U. T. Health Center - Tyler to establish an endowment to support heart and lung research. A request to establish the endowment will be made at a later date. The remaining twenty-five percent of the corpus and any accumulated or undistributed income of the Trust shall be distributed to the Massachusetts Institute of Technology, Cambridge, Massachusetts.

44. U. T. Health Center - Tyler: Approval to Accept Bequest from the Estate of Lucille E. Meystedt, Rusk, Texas, and to Establish the Lucille E. Meystedt Memorial Scholarship Endowment in Nursing.--Approval was given to accept a bequest of real estate located in Smith and Cherokee Counties, Texas, valued at \$28,320 from the Estate of Lucille E. Meystedt, Rusk, Texas, and to establish the Lucille E. Meystedt Memorial Scholarship Endowment in Nursing at The University of Texas Health Center at Tyler.

Income earned from the endowment will be used to support scholarships for employees of the U. T. Health Center - Tyler who are pursuing nursing-related disciplines.

III. OTHER MATTERS

1. U. T. System: Adoption of Memorial Resolution Honoring Mr. Ernest Lee "Pete" Wehner of Houston, Texas.--Upon recommendation of the Asset Management Committee, the Board adopted the following memorial resolution in honor of Mr. Ernest Lee "Pete" Wehner of Houston, Texas, to recognize Mr. Wehner's dedicated service to The University of Texas System Investment Advisory Committee for the Permanent University Fund and the Common Trust Fund:

MEMORIAL RESOLUTION

WHEREAS, With the tragic death of Mr. Ernest Lee "Pete" Wehner on December 15, 1991, The University of Texas System lost a valued friend and wise counselor;

WHEREAS, He had served with distinction for nearly four years as an active and dedicated member of the Investment Advisory Committee for the Permanent University Fund and the Common Trust Fund;

WHEREAS, Pete brought to his University responsibilities the perspective, knowledge, and vision resulting from a lifetime of business experience and from dedicated public service as President of the Welch Foundation and as a director of The Methodist Hospital; and

WHEREAS, He energetically sought to lend his financial expertise to maintain and enhance those resources essential to a university of the first class; now, therefore, be it

RESOLVED, That the Board of Regents expresses its profound sense of loss in the passing of Pete Wehner and acknowledges with deep gratitude his devoted and valued services to The University of Texas System; and, be it further

RESOLVED, That an appropriate copy of this Memorial Resolution be presented to his family and to the trustees of the Welch Foundation so that they may be aware of the genuine esteem in which Pete was held by the Board of Regents.

Upon approval of the Memorial Resolution, Committee Chairman Cruikshank added that he had known Mr. Wehner for thirty years and that he was a respected pillar of the Houston community as well as a valued counselor to the U. T. System.

2. U. T. System: Approval to Amend the Asset Mix Section of the Permanent University Fund Investment Policy Statement, Common Trust Fund Investment Policy Statement, and Medical Liability Self-Insurance Fund Investment Policy Statement and to Make Editorial Amendments in These Investment Policy Statements.--Committee Chairman Cruikshank reported that at the December 1991 meeting of the Investment Advisory Committee a discussion was held on reviewing the asset mix of The University of Texas System Permanent University Fund, Common Trust Fund, and Medical Liability Self-Insurance Fund. He noted that at a briefing on January 16, 1992, the Asset Management Committee established a suggested target mix range for each of these funds.

Mr. Cruikshank pointed out that several members of the Board had expressed concern regarding the "other investments" as set forth in the proposed amendments to the Asset Mix section of the investment policy statements for the Permanent University Fund, Common Trust Fund, and Medical Liability Self-Insurance Fund as shown in the Material Supporting the Agenda and noted that "other investments" included such categories as venture capital, real estate and other privately placed investments. He stated that there had been considerable discussion over the years concerning privately placed investments and the Board was well aware of the risks of such investments. Mr. Cruikshank noted that the proposed amendments to the Asset Mix section of each fund should not be perceived as an indication that the Board will open the gates to privately placed investments. He then reminded the Board that it had established a private placement policy and the policy is being followed.

In response to an inquiry from Regent Temple regarding the extent to which the U. T. System was continuing to utilize private placement investments, Committee Chairman Cruikshank advised her that the Asset Management Committee had approved only two such investments in the past eighteen months and that all decisions with regard to this type of investment were carefully reviewed by the Asset Management Committee within the guidelines previously approved by the Board.

Regent Cruikshank then called on Acting Executive Vice Chancellor for Asset Management Tom Ricks to review the proposed amendments which were before the Board related to the Asset Mix sections of the Permanent University Fund Investment Policy Statement, the Common Trust Fund Investment Policy Statement, and the Medical Liability Self-Insurance Fund Investment Policy Statement.

With the aid of transparencies, Mr. Ricks presented a comprehensive overview of the asset allocation for the Permanent University Fund, Common Trust Fund, and Medical Liability Self-Insurance Fund. A copy of those transparencies are on file in the Office of the Board of Regents.

Following a detailed discussion and upon recommendation of the Asset Management Committee, the Board:

- a. Amended the Asset Mix section of the Permanent University Fund Investment Policy Statement to read as set out below:

PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income. Adequate bonds with low enough book yield to meet arbitrage requirements relating to debt secured and payable from the Fund must be owned.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.
- Cash equivalent-short-term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments. Cash inflow from Permanent University Fund Lands is recognized as a continuing source of Fund liquidity.
- Other investments, such as venture capital, real estate and other privately placed investments, would be undertaken to provide exceptional returns to the Fund.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	0%	10%	0%
Fixed income securities(1)	30%	60%	45%
Equity securities(1)	35%	60%	45%
Other investments(1)	0%	15%	10%

(1) Includes allocated cash and cash equivalents

- b. Amended the Asset Mix section of the Common Trust Fund Investment Policy Statement to read as set out below:

COMMON TRUST FUND
INVESTMENT POLICY STATEMENT

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.
- Cash equivalent-short-term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments.
- Other investments, such as venture capital, real estate and other privately placed investments, would be undertaken to provide exceptional returns to the Fund.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	0%	10%	0%
Fixed income securities(1)	30%	60%	40%
Equity securities(1)	35%	60%	50%
Other investments(1)	0%	15%	10%

(1) Includes allocated cash and cash equivalents

- c. Amended the Asset Mix section of the Medical Liability Self-Insurance Fund Investment Policy Statement to read as set out below:

MEDICAL LIABILITY SELF-INSURANCE FUND
INVESTMENT POLICY STATEMENT

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook.

In establishing asset mix, recognition of the role of short-term investments must be considered. Cash equivalent-short-term investments provide current income, but their principal purposes are to store purchasing power to fund longer term investments and to store the ability to meet potential near-term settlement payments. In order to insure that the Fund is able to meet settlement payments without suffering principal exposure, the following levels of short-term investments will be maintained:

- A minimum of 2 times the difference between the maximum and the minimum amount to be maintained in the operating account will be held in cash equivalent-short-term investments.
- A minimum of .50 times the total of the reserves for legal expenses plus the reserves for claim liabilities will be held in investments with a maturity of six months or less.

Equity, fixed income, and other investments will be held based on their potential risk-adjusted total return.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	(1)	15%	5%
Fixed income securities(2)	30%	60%	40%
Equity securities(2)	35%	60%	50%
Other investments(2)	0%	10%	5%

(1) As calculated based on the short-term investment minimum requirements established above

(2) Includes allocated cash and cash equivalents

- d. Authorized editorial amendment of the Permanent University Fund Investment Policy Statement, the Common Trust Fund Investment Policy Statement, and the Medical Liability Self-Insurance Fund Investment Policy Statement to replace all references to the "Land and Investment Committee" with the words "Asset Management Committee."

The complete investment policy statements for these three funds, as amended, are set out in their entirety on Pages 281 - 298.

PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS

The Permanent University Fund is a perpetual endowment in support of The University of Texas and The Texas A&M University Systems. The Fund is authorized by the State Constitution and supplies resources in two ways:

- 1) Beneficiary university systems may sell bonds up to 30% of their share of the book value of the Fund, secured and payable from a lien on their portion of the cash income of the Fund. Therefore, The University of Texas System and The Texas A&M University System may sell bonds, respectively, up to 20% and 10% of the book value of the Fund.
- 2) Cash income in excess of debt service requirements is available for current expenditures relating to academic enrichment and excellence at The University of Texas at Austin and Texas A&M University at College Station and Prairie View A&M University.

The Fund was generated and is increased principally by oil and gas royalties and lease bonuses from Permanent University Fund Lands. Cash inflow to the Fund is subject to fluctuation due to petroleum production, prices, and industry economics. Since oil and gas is depleting in nature and the Fund continues to grow from this source as well as appreciation of investments, cash inflow over time will tend to decline as a percentage of the value of the Fund.

The State Constitution requires that all cash income of the Fund consisting of interest and dividends on investments be paid out. Therefore, only the appreciation of securities is able to provide internal growth of the Fund.

RESPONSIBILITY AND MANAGEMENT OF THE FUND

The State Constitution vests fiduciary responsibility for the Fund with the Board of Regents of The University of Texas System. The Board employs an investment and administrative staff, headed by the Executive Vice Chancellor for Asset Management. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a

firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.
- Securities will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Asset Management Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

INVESTMENT OBJECTIVES

There are two primary investment objectives. One is to provide a continuing and dependable cash income stream, stable and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the Fund to appreciate over time.

The cash income requirement on the Fund is substantial and continuous. Income must be sufficient to provide debt service coverage of all bonds payable from the Fund as well as provide a residual income stream for academic enrichment programs.

The Fund needs to appreciate to insure preservation of the purchasing power of the Fund and also to satisfy the need for income growth in the future.

Management of the Fund attempts to meet these objectives by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally, the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income. Adequate bonds with low enough book yield to meet arbitrage requirements relating to debt secured and payable from the Fund must be owned.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.

- Cash equivalent-short-term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments. Cash inflow from Permanent University Fund Lands is recognized as a continuing source of Fund liquidity.
- Other investments, such as venture capital, real estate and other privately placed investments, would be undertaken to provide exceptional returns to the Fund.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	0%	10%	0%
Fixed income securities(1)	30%	60%	45%
Equity securities(1)	35%	60%	45%
Other investments(1)	0%	15%	10%

(1) Includes allocated cash and cash equivalents

PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period . . . generally four to five years.

Specific performance goals for the Fund are:

- Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- Total Fund Return - Performance equal to or greater than that of other comparable funds.

Given the income requirements on the Fund, the performance goal for fixed income securities (bonds) is recognized as imperfect and potentially inappropriate in situations where a substantial and prolonged change in the market level of interest rates occurs. A bond index is a useful comparative device, but income protection, maturity control and portfolio quality are other important performance indices as well as critical elements of portfolio strategy. Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field and compared against the stated performance goals of the Fund. Measurement will occur at least annually, and will be used to evaluate the results of the total Fund, major classes of investment assets, and individual management organizations.

INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the State Constitution and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

- All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
- No investments may be made in securities of the South African government, its government agencies, or firms headquartered in South Africa.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Banker's Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the Executive Vice Chancellor for Asset Management prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased unless approved by the Executive Vice Chancellor for Asset Management. Bonds rated below A3 or A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Asset Management Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of bonds or preferred stocks rated below Baa3 or BBB-, unrated bonds, and unrated preferred stocks which have been purchased but have not been reviewed by the Asset Management Committee may not exceed 1% of the book value of the Fund.

- Less than five percent of the voting securities of a corporation may be owned unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management.
- No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
- No securities may be purchased on margin or leverage.
- No transactions in short sales will be made.
- Transactions in financial futures and options (other than those received as part of an investment unit) may only occur as part of a hedging program authorized by the Asset Management Committee.
- Unaffiliated investment managers transacting solely within their assigned assets:
 - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
 - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
 - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset and shall hold no more than 10% of their managed portfolio at cost in any other asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.
 - shall hold no securities traded only in foreign markets unless they were retained to manage an international portfolio.

INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy Statement, investment managers shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style and shall be available as reasonably requested for open communication with the Board and The University of Texas System's investment and administrative staff.

FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

INVESTOR RESPONSIBILITY

The Fund supports higher education, which has a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

COMMON TRUST FUND
INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS

The Common Trust Fund was established by the Board of Regents to allow for the pooled investment of privately-sourced endowment and trust funds held by The University of Texas System or by the U. T. Board of Regents in a fiduciary capacity. These endowment and trust funds are collectively invested to enhance the diversification of the assets held and to streamline investment and administrative operations.

The endowment and trust funds were given to provide a permanent funding source to support specified academic and enrichment programs at donor-designated components of The University of Texas System. The principal of these funds may not be spent, and therefore only cash income earned on investments is available for distribution. Internal growth of the Fund may occur through capital appreciation or retention of income in excess of distributions.

RESPONSIBILITY AND MANAGEMENT OF THE FUND

Fiduciary responsibility for the Fund rests with the Board of Regents of The University of Texas System. The Board employs an investment and administrative staff, headed by the Executive Vice Chancellor for Asset Management. Specific investment decisions are handled by the investment staff as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.
- Investments will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Asset Management Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

INVESTMENT OBJECTIVES

There are two primary investment objectives. One is to provide a continuing and dependable cash payout, stable and preferably growing in real terms, after giving effect to inflation. The second is to cause the total value of the Fund to appreciate, over time, exclusive of growth derived from donations.

The cash payout requirement on the Fund is substantial and continuous. Income must be sufficient to provide an adequate cash stream for the development of excellence and distinction in the academic programs of the System. In addition, the Fund needs to appreciate to insure preservation of the purchasing power of the Fund and also to satisfy the need for payout growth in the future.

Management of the Fund attempts to meet these objectives by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to generation of adequate current income. Additionally, the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook as well as income requirements.

In establishing asset mix, recognition of the role of various classes of investments will be considered. These include:

- The principal purpose of fixed income investments is to provide a dependable and predictable source of income.
- Equity investments provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund.
- Cash equivalent-short-term investments provide current income, but their principal purpose is to store purchasing power to fund longer term investments.
- Other investments, such as venture capital, real estate and other privately placed investments, would be undertaken to provide exceptional returns to the Fund.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	0%	10%	0%
Fixed income securities(1)	30%	60%	40%
Equity securities(1)	35%	60%	50%
Other investments(1)	0%	15%	10%

(1) Includes allocated cash and cash equivalents

PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period . . . generally four to five years.

Specific performance goals for the Fund are:

- Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- Total Fund Return - Performance equal to or greater than that of other comparable funds.

Given the income requirements on the Fund, the performance goal for fixed income securities (bonds) is recognized as imperfect and potentially inappropriate in situations where a substantial and prolonged change in the market level of interest rates occurs. A bond index is a useful comparative device, but income protection, maturity control and portfolio quality are other important performance indices as well as critical elements of portfolio strategy. Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual management organizations.

INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

- All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
- No investments may be made in securities of the South African government, its government agencies, or firms headquartered in South Africa.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.

- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the Executive Vice Chancellor for Asset Management prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc. or BBB- by Standard & Poor's Corporation, respectively, when purchased unless approved by the Executive Vice Chancellor for Asset Management. Bonds rated below A3 or A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Asset Management Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of bonds or preferred stocks rated below Baa3 or BBB-, unrated bonds, and unrated preferred stocks which have been purchased but have not been reviewed by the Asset Management Committee may not exceed 1% of the book value of the Fund.
- Less than five percent of the voting securities of a corporation may be owned unless additional ownership is specifically authorized by the Executive Vice Chancellor for Asset Management.
- No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
- No securities may be purchased on margin or leverage.
- No transactions in short sales will be made.
- Transactions in financial futures and options (other than those received as part of an investment unit) may only occur as part of a hedging program authorized by the Asset Management Committee.
- Unaffiliated investment managers transacting solely within their assigned assets:
 - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
 - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
 - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset and shall hold no more than 10% of their managed portfolio at

cost in any other asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.

- shall hold no securities traded only in foreign markets unless they were retained to manage an international portfolio.

INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy Statement, investment managers shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style and shall be available as reasonably requested for open communication with the Board of Regents and The University of Texas System's investment and administrative staff.

FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

INVESTOR RESPONSIBILITY

The Fund supports higher education, which has a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

MEDICAL LIABILITY SELF-INSURANCE FUND
INVESTMENT POLICY STATEMENT

FUND CHARACTERISTICS

The University of Texas System Professional Medical Liability Self-Insurance Plan, authorized by Chapter 59 of the Texas Education Code, went into effect on April 1, 1977, to provide malpractice insurance coverage for staff physicians, medical students, residents, and fellows at the U. T. System health components. The Self-Insurance Plan's assets, excluding the assets held in an operating account, constitute the "Medical Liability Self-Insurance Fund." Internal growth of the Fund may occur through capital appreciation and retention of income in excess of settlement payments.

RESPONSIBILITY AND MANAGEMENT OF THE FUND

Fiduciary responsibility for the Plan and the Fund rests with the Board of Regents of The University of Texas System. Pursuant to the Board of Regents Order of April 15, 1977, and the Regents' Rules and Regulations, the Office of General Counsel administers the Plan. As administrator of the Plan, the Office of General Counsel has the responsibility for interpretation and implementation of the Plan; investigation of all medical malpractice claims; decisions regarding the trial or settlement of claims; retention of outside defense counsel for malpractice litigation; selection of insurance actuaries and consultants to review and make recommendations regarding premium changes, reserve procedures, and loss experiences; coordinating and participating in all risk management programs at health components; and performing such other functions as are appropriate for administration of the Plan. The Office of Business Affairs has responsibility for the accounting for the Plan, the Plan's operating account monies, and the cash receipts and disbursements of the Plan.

The Office of the Executive Vice Chancellor for Asset Management administers the investment of the Self-Insurance Fund. Specific investment decisions are handled by the investment staff of the Asset Management Office as well as unaffiliated investment managers, who are employed from time to time. The Board retains an Investment Advisory Committee to provide counsel concerning portfolio and economic issues affecting the Fund.

CONFLICT OF INTEREST

Members of the Board and the Investment Advisory Committee are frequently persons of wide-ranging business interests. Therefore, a prudent, independent investment decision process may result in investments in firms or organizations with which a member of the Board or the Investment Advisory Committee is affiliated. Affiliation shall be interpreted within this section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. The investment staff or an unaffiliated investment manager may invest in such securities. However, the following restrictions shall apply:

- A member of the Board or the Investment Advisory Committee shall not direct nor participate in the decision to purchase or sell securities of a firm with which such member is affiliated.

- Investments will not be purchased from or sold to a member of the Board or the Investment Advisory Committee.
- All members of The University of Texas System investment and administrative staff must report any affiliation with another firm or organization to the Regents' Asset Management Committee. On an annual basis the staff will report the nature and extent of any investments in or business transacted with such firms.

INVESTMENT OBJECTIVES

The primary investment objective is to appreciate the total value of the Fund, over time, through capital appreciation and income generation. Management of the Fund attempts to meet this objective by maximizing the return on the Fund's investments, consistent with an appropriate level of risk and subject to maintaining adequate cash equivalent-short-term investments to meet potential near-term settlement payments. Additionally, the Fund shall be diversified at all times to provide reasonable assurance that investment in a single security, a class of securities, or industry will not have an excessive impact on the Fund.

ASSET MIX

Asset mix is the primary determinant of Fund performance and is the responsibility of the Regents' Asset Management Committee. Asset mix may be changed from time to time based on the economic and security market outlook.

In establishing asset mix, recognition of the role of short-term investments must be considered. Cash equivalent-short-term investments provide current income, but their principal purposes are to store purchasing power to fund longer term investments and to store the ability to meet potential near-term settlement payments. In order to insure that the Fund is able to meet settlement payments without suffering principal exposure, the following levels of short-term investments will be maintained:

- A minimum of 2 times the difference between the maximum and the minimum amount to be maintained in the operating account will be held in cash equivalent-short-term investments.
- A minimum of .50 times the total of the reserves for legal expenses plus the reserves for claim liabilities will be held in investments with a maturity of six months or less.

Equity, fixed income, and other investments will be held based on their potential risk-adjusted total return.

In order to meet the Fund's investment objectives and in recognition of the role of various classes of investments, it shall be the policy to invest this Fund's assets with an annual average market value asset mix of each class of investments within the following limits:

	<u>Minimum</u>	<u>Maximum</u>	<u>Long-Term Optimal</u>
Unallocated funds	(1)	15%	5%
Fixed income securities(2)	30%	60%	40%
Equity securities(2)	35%	60%	50%
Other investments(2)	0%	10%	5%

(1) As calculated based on the short-term investment minimum requirements established above

(2) Includes allocated cash and cash equivalents

PERFORMANCE GOALS

To accomplish the investment objectives for the Fund and recognizing the critical role of asset mix, specific performance goals exist for the total Fund as well as separate categories of assets. Achievement of these goals is most appropriately determined over a full market cycle time period . . . generally four to five years.

Specific performance goals for the Fund are:

- Common Stocks - Performance equal to or greater than the Standard & Poor's 500 Index.
- Bonds - Performance equal to or greater than the Shearson Lehman Government/Corporate Bond Index or other appropriate bond index.
- Total Fund Return - Performance equal to or greater than that of other comparable funds.

Active trading of bonds is necessary to prevent deterioration of portfolio market value and may result in the realization of book losses from time to time.

PERFORMANCE MEASUREMENT

The investment performance of the Fund will be measured by an unaffiliated organization with recognized expertise in this field, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and will contain data on the results of the total Fund, major classes of investment assets, and individual management organizations.

INVESTMENT GUIDELINES

The Fund must be invested at all times in strict compliance with the Texas Trust Code (Subtitle B, Title 9, Texas Property Code) and other applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment restrictions include the following:

- All investments must be U. S. dollar denominated unless held by an investment manager retained to manage an international portfolio.
- No investments may be made in securities of the South African government, its government agencies, or firms headquartered in South Africa.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2), or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the Executive Vice Chancellor for Asset Management prior to investment of Fund monies in such liquid investment fund. No requirement exists that such funds conform to the above restrictions on money market instruments.
- Corporate bonds and preferred stocks must be rated a minimum of Baa3 by Moody's Investors Service, Inc., or BBB- by Standard & Poor's Corporation, respectively, when purchased unless approved by the Executive Vice Chancellor for Asset Management. Bonds rated below A3 or A- shall not constitute an excessive portion of the total bond portfolio. Unrated bonds or preferred stocks may be purchased prior to review by the Asset Management Committee if, in the opinion of the System's investment staff, they are at least equal in quality to publicly offered securities eligible for purchase. The cost of bonds or preferred stocks rated below Baa3 or BBB-, unrated bonds, and unrated preferred stocks which have been purchased but have not been reviewed by the Asset Management Committee may not exceed 1% of the book value of the Fund.
- Less than five percent of the voting securities of a corporation may be owned.
- No securities may be purchased or held which would jeopardize the Fund's tax exempt status.
- No securities may be purchased on margin or leverage.
- No transactions in short sales will be made.

- Transactions in financial futures and options (other than those received as part of an investment unit) may only occur as part of a hedging program authorized by the Asset Management Committee.
- Unaffiliated investment managers transacting solely with their assigned assets:
 - shall hold no more than 25% of their managed portfolio in any one industry at cost unless the manager was retained to concentrate in an industry or industries.
 - shall hold no more than 10% of their managed portfolio in the securities of one corporation at cost.
 - shall not hold investment in real estate, partnerships, and other such illiquid assets unless retained to manage this type of asset and shall hold no more than 10% of their managed portfolio at cost in any other asset category different than the type they were retained to manage. Short-term liquid investments are excluded from this limitation. Convertible securities are considered to be equity equivalents for purposes of this restriction.
 - shall hold no securities traded only in foreign markets unless they were retained to manage an international portfolio.

INVESTMENT MANAGEMENT FIRMS

Unaffiliated investment managers may be hired from time to time to provide the Fund with increased diversity through their unique style and approach to investing. Their purpose is to improve the Fund's return and to alter its volatility. Other than as limited by this Policy Statement, investment managers shall have complete investment discretion. In addition to performance, investment managers shall be monitored for adherence to their investment style and shall be available as reasonably requested for open communication with the Board of Regents and The University of Texas System's investment and administrative staff.

FUND ADMINISTRATION

Administration of the Fund is recognized as vital to Fund stability and fulfillment of objectives. Areas of emphasis shall include record keeping, internal controls, protection of assets, cash management and processing efficiency.

Transaction and accounting records shall be complete and prepared on a timely basis with consideration at all times to the adequacy of an audit trail.

Internal controls will assure responsible separation of duties and diminish the real and prospective burden on individual employees.

Custody of the Fund's assets shall be in compliance with applicable law and arranged to provide as much security, trading speed and flexibility as possible. Adequate insurance levels will be maintained by any custodian or transportation agent employed by the Fund.

The daily cash position will be monitored to insure that non-interest bearing cash is minimized. The collection time of all dividend and interest payments will be accelerated to the extent possible.

Operational efficiency is imperative, and computer capabilities shall be extensively used to reduce manual processing and duplication of activities.

System investment and administrative staff will conduct business for the Fund with organizations which, after review, are believed to exercise professional integrity and have financial substance judged adequate in light of the size and nature of the business involved. Normal business entertainment of the staff is recognized as a customary medium for conducting this type of business. Acceptance of material gifts from unaffiliated vendors is prohibited.

Additionally, transactions to purchase or sell securities shall be entered into on the basis of "best execution," which normally means best realized net price for the security. Commissions may be paid for investment services rendered to the Fund including securities research.

INVESTOR RESPONSIBILITY

The Fund provides financial support to activities related to higher education institutions which have a special and unique role in society. It follows that, subject to the "Prudent Person Rule," investment of the Fund must be sensitive to major issues affecting its constituency including the State of Texas and supporters of higher education.

As a significant shareholder, the Fund has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Fund.

The primary basis for all investment decisions is the "Prudent Person Rule" (see Investment Guidelines). The Fund shall not be invested to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

3. U. T. System: Report on Fixed Income Portfolio Credit Quality for the Permanent University Fund, Common Trust Fund, and Medical Liability Self-Insurance Fund.--Committee Chairman Cruikshank reported that the Board has a significant fiduciary responsibility related to the management and investment of The University of Texas System Permanent University Fund, Common Trust Fund, and Medical Liability Self-Insurance Fund. In response to a request from the Asset Management Committee, Mr. Cruikshank called on Acting Executive Vice Chancellor for Asset Management Ricks to address the fixed income credit criteria for these three funds.

With the aid of transparencies, Mr. Ricks reminded the Board that one of the investment restrictions related to these funds is that corporate bonds must be rated a minimum of Baa3 or BBB-, when purchased, unless approved by the Executive Vice Chancellor for Asset Management, and bonds rated below A3 or A- shall not constitute an excessive portion of the total bond portfolio. He reviewed in detail the rating definitions for the bonds (high grade, medium grade, low grade, and no grade/highly speculative) and pointed out that only the profile for the Common Trust Fund indicates a significant percentage of securities below class A. Mr. Ricks noted that the Office of Asset Management has been instructed by the Asset Management Committee to upgrade the Common Trust Fund credit profile over time to bring it more on par with the Permanent University Fund and Medical Liability Self-Insurance Fund.

A copy of Mr. Ricks' transparencies are on file in the Office of the Board of Regents.

RECONVENE.--At 11:45 a.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEMS FOR THE RECORD

1. U. T. System: Report on Annual Guideline Distribution Amount Per Unit for the Common Trust Fund for the Fiscal Year 1992-1993.--In keeping with the recommendation of the Investment Advisory Committee and the Asset Management Committee, it is reported for the record that the annual guideline distribution amount per unit of The University of Texas System Common Trust Fund will remain at 17.5¢ per unit for the Fiscal Year 1992-1993.

This pay-out rate was established by the U. T. Board of Regents at the February 1991 meeting to be effective September 1, 1991.

2. U. T. Austin - Andrews Dormitory and Kinsolving Dormitory - Remodeling of Food Service Facilities - Phase I - Andrews Dormitory (Project No. CM-01-89): Report of Abandonment of Construction Claim by J. K. Richardson Co., Georgetown, Texas.--At the June 1990 meeting of the U. T. Board of Regents, Ms. Elizabeth R. Todd, Austin, Texas, was appointed as a Hearing Officer to represent the Board to hear a claim by J. K. Richardson Co., Georgetown, Texas, under the "Disputes" clause of the construction contract for the Andrews Dormitory and Kinsolving Dormitory - Remodeling of Food Service Facilities - Phase I - Andrews Dormitory on The University of Texas at Austin campus.

It is herewith reported for the record that on September 12, 1991, Hearing Officer Todd was notified that the J. K. Richardson Co. had "made the decision to cease pursuing its claims against The University of Texas System in connection" with Project No. CM-01-89.

3. U. T. Austin - Brackenridge Tract: Report on Sale of Section I, Stratford Hills Subdivision, Austin, Travis County, Texas.--Following approval by the U. T. Board of Regents at the October 1991 meeting, a portion of the Brackenridge Tract known as Section I of the Stratford Hills Subdivision, Austin, Travis County, Texas, was sold on November 22, 1991, for \$1,855,203 for the benefit of The University of Texas at Austin. Net proceeds of \$1,732,827.24 were received from Lake Cliff Estates, L.P., Austin, Travis County, Texas, a locally owned development company, for the 26.137 acres which had been platted for twenty residential lots by the Office of Endowment Real Estate.

Proceeds from the sale have been set aside as matching funds to generate new scholarships for U. T. Austin.

4. U. T. Austin: Report on Transfer of Dockside Utility Building and Adjacent Facilities to the U. T. Medical Branch - Galveston.--It is herewith reported for the record that the Dockside Utility Building physically located on the campus of The University of Texas Medical Branch at Galveston has been transferred from the inventory of The University of Texas at Austin to that of the U. T. Medical Branch - Galveston.

Under the terms of the transfer, the Institute for Geophysics at U. T. Austin will retain full access to and use of the Dockside Utility Building, the Geophysics Dock and adjacent parking area for a period not to exceed August 31, 1993. An Interagency Cooperation Contract will be executed to provide utilities, security, maintenance, supplies, and services through the period of occupancy. Following that date, the facilities will be used in support of the programs of the Marine Biomedical Institute at the U. T. Medical Branch - Galveston.

5. U. T. Health Science Center - Houston: Report on Dissolution of The Houston Health Science Center Foundation, Inc.--It is reported for the record that The Houston Health Science Center Foundation, Inc., an internal corporation as that term is defined in the Regents' Rules and Regulations, Part One, Chapter VII, Section 6, has been dissolved as being an administrative mechanism no longer needed by the private fund development program of The University of Texas Health Science Center at Houston.

At a briefing of the Business Affairs and Audit Committee on September 10, 1991, the intent to dissolve this foundation was reported. The appropriate section of the Regents' Rules and Regulations will be amended to reflect this dissolution.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

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

Report

The Board for Lease of University Lands met on January 16, 1992, in Austin, Texas, to discuss terms and procedures for an Oil and Gas Lease Sale on frontier acreage located in Culberson, El Paso, Hudspeth, and Terrell Counties. The Permanent University Fund lands located in these four counties have had very little exploration and no production.

The Board approved a special Oil and Gas Lease Sale for early October 1992, with the terms for bonus, rentals, and royalties to be announced after a study and recommendation by staff.

OTHER MATTERS

U. T. System: Adoption of Resolution of the Student Advisory Group Declaring April as Library Month.--At the request of Chairman Beecherl, Chancellor Mark reported that representatives of The University of Texas System Student Advisory Group were present and called on Ms. Lynne Markgraf, Chair of the Student Advisory Group, for comments related to the funding and operation of the libraries within the U. T. System.

Ms. Markgraf reported that the Student Advisory Group had adopted the resolution that was before the Board which recommended that each April, beginning with April 1992, be designated as U. T. System library month. Ms. Markgraf noted that the resolution was adopted by the Student Advisory Group to encourage the students on each component campus to institute programs whereby students and staff members would be united in focusing on the needs of each library. She noted that, in conjunction with the National Library Association, it was the Group's intention to draw attention to the plight of library under funding and to make fund raisers, exhibits, student/faculty awareness and public awareness programs an integral part of the month's events.

Regent Temple then read the following resolution as adopted by the Student Advisory Group:

RESOLUTION IN SUPPORT OF THE
UNIVERSITY OF TEXAS SYSTEM LIBRARIES

WHEREAS, Libraries across the state are grossly under funded;

WHEREAS, Libraries are an essential part of university life; and

WHEREAS, Many industries depend on university libraries in their communities to assist in research; now, therefore, be it

RESOLVED, That we the members of the U. T. System Student Advisory Group request that the Board of Regents declare April to be University of Texas System Library Month in conjunction with National Library Month.

Passed by The University of Texas System Student Advisory Group on November 9, 1991.

Upon motion of Regent Temple, seconded by Regent Rapoport, the Board unanimously adopted the following resolution in support of the efforts of the Student Advisory Group:

RESOLUTION IN SUPPORT OF THE
UNIVERSITY OF TEXAS SYSTEM LIBRARIES

WHEREAS, Libraries across the state are grossly under funded;

WHEREAS, Libraries are an essential part of university life; and

WHEREAS, Many industries depend on university libraries in their communities to assist in research; now, therefore, be it

RESOLVED, That the Board of Regents declares April to be University of Texas System Library Month in conjunction with National Library Month and, be it further

RESOLVED, That the components of the U. T. System be encouraged to initiate programs and activities to highlight the importance of library activities to their academic, research, and public service missions and to emphasize the need to maintain realistic funding for this cornerstone of the University enterprise.

RECESS TO EXECUTIVE SESSION.--At 11:50 a.m., the Board recessed to convene in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f), and (g) to consider those matters set out in the Material Supporting the Agenda.

RECONVENE.--At 3:50 p.m., the Board reconvened in open session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Beecherl reported that the Board had met in Executive Session in Room 422 of the Robert R. Muntz Library to discuss matters in accordance with Article 6252-17, Sections 2(e), (f), and (g) of Vernon's Texas Civil Statutes. In response to Chairman Beecherl's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. System: Consideration of LULAC/MALDEF Litigation with General Counsel.--Chairman Beecherl reported that there was a discussion of the LULAC/MALDEF litigation involving The University of Texas System with General Counsel Farabee and that no formal action by the Board was required at this time.

2. U. T. Health Science Center - Houston: Settlement of Medical Liability Litigation - Wilma Jean Collins, et al.--Vice-Chairman Ramirez moved that the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas Health Science Center at Houston the medical liability litigation filed by Wilma Jean Collins, et al, in accordance with the proposal presented in Executive Session.

Regent Moncrief seconded the motion which prevailed without objection.

3. U. T. Austin: Approval to Sell a 2.171 Acre Tract of Surplus Land Out of the Balcones Research Center, Austin, Travis County, Texas, and Authorization for the Vice President for Business Affairs to Execute All Documents Related Thereto.--Regent Loeffler moved that The University of Texas at Austin be authorized to sell a 2.171 acre tract of surplus land out of the Balcones Research Center in Austin, Travis County, Texas, according to the parameters outlined in Executive Session and that the Vice President for Business Affairs or his delegate be authorized to execute all documents pertaining to the sale following approval of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for Business Affairs, and the Office of General Counsel.

Regent Moncrief seconded the motion which carried by unanimous vote.

4. U. T. Southwestern Medical Center - Dallas: Authorization for the Executive Vice President for Business Affairs to Negotiate and Execute All Documents Required to Purchase an 8.754 Acre Tract of Land in Dallas, Dallas County, Texas, and Authorization to Submit the Purchase to the Coordinating Board for Approval.--Upon motion of Regent Moncrief, seconded by Regent Loeffler, the Board authorized the Executive Vice President for Business Affairs at The University of Texas Southwestern Medical Center at Dallas to negotiate and execute all documents required to purchase an 8.754 acre tract of land in Dallas, Dallas County, Texas, according to the parameters outlined in Executive Session following approval of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Business Affairs, and the Office of General Counsel, and to submit the purchase to the Texas Higher Education Coordinating Board for approval.

5. U. T. System: Consideration of Matters Related to the Appointment of a Chancellor.--Chairman Beecherl reported that, since the Material Supporting the Agenda was printed, an additional item under personnel matters related to the search for a successor to Dr. Mark as Chancellor of The University of Texas System was posted with the Secretary of State. He noted that the Board had a very preliminary discussion of the ways in which a search process might proceed and the need for confidentiality in that process. Chairman Beecherl reported that there were no decisions upon which the Board would need to take formal action.

OTHER BUSINESS

U. T. San Antonio: Approval of the Findings of the Faculty Hearing Panel Regarding the Nonrenewal of Appointment of Dr. Philip D. Olivier.--Chairman Beecherl announced that the Board would now consider the findings of a faculty hearing panel in the matter of the nonrenewal of a nontenured faculty appointment for Dr. Philip D. Olivier at The University of Texas at San Antonio.

Chairman Beecherl noted that, under the Board's usual procedures, this consideration would have taken place in Executive Session as a personnel matter. However, as permitted by State law, Dr. Olivier had requested that this hearing be conducted in open session and the Board had no option but to agree.

In preparation for this review, the Board had received the full transcript and volume of exhibits resulting from the hearing as well as the report of the panel's findings. Chairman Beecherl noted that, while there would be presentations on behalf of Dr. Olivier and U. T. San Antonio, the Board was reminded that its review and decision are to be based solely on the record of the hearing panel.

Chairman Beecherl pointed out that this hearing arises under Part One, Chapter III, Section 6, Subsection 6.35 of the Regents' Rules and Regulations which allows a nontenured faculty member to request an institutional administrative hearing if he or she believes that non-reappointment to the faculty is based upon the exercise of rights guaranteed by the laws or Constitution of this State or the United States. In this hearing, the burden of proof is upon the faculty member.

NOTE: At this point, Chairman Beecherl, who was experiencing severe laryngitis, turned the presiding role over to Vice-Chairman Cruikshank.

Vice-Chairman Cruikshank noted that the procedure would be as follows:

First, President Kirkpatrick of U. T. San Antonio would briefly outline the hearing process and the findings of the hearing panel.

Next, Dr. Olivier would be allowed fifteen minutes for his oral presentation.

Finally, President Kirkpatrick would have equal time to summarize for the institution.

President Kirkpatrick reported that the Board had before it the findings of the hearing panel regarding the allegations by Dr. Olivier that the decision by the administration to issue a terminal contract was based upon his exercise of free speech and/or free association rights. He noted that the hearing panel reviewed the evidence presented by Dr. Olivier and found unanimously that he failed to present evidence to substantiate the allegation that the decision to issue him a terminal contract was based on his exercise of free speech rights or free association rights.

With the aid of transparencies, Dr. Olivier reviewed his claims that the University's non-reappointment decision was based on the fact that he was not a passive, submissive Hispanic faculty member, and the Administration took exception to the fact that he spoke his mind when asked. Dr. Olivier noted that he was appearing before the Board for these reasons: (1) U. T. San Antonio claims that his teaching and research are insufficient for promotion and tenure when they are not and (2) his personal investment in the U. T. San Antonio electrical engineering program. Dr. Olivier stated that he was not a do-nothing faculty member requesting promotion and tenure just because of a technicality or ethnicity but rather an active, productive Hispanic faculty member who will contribute much to the future of U. T. San Antonio. (A copy of the transparencies, which Dr. Olivier used as a format for his presentation, are on file in the Office of the Board of Regents.)


Following Dr. Olivier's presentation, President Kirkpatrick reiterated that the hearing panel unanimously found that Dr. Olivier failed to prove his allegations that the decision to issue him a terminal employment contract was based on his exercise of free speech rights or exercise of free association rights. He reminded the Board that its only purview of this case rested with the constitutional issues of freedom of speech and freedom of association and that Dr. Olivier's teaching effectiveness, research capability, and suitability for tenure were not issues which were appealable through a faculty tribunal or the Board of Regents. Dr. Kirkpatrick noted that in situations like this it is important to look at the long-term needs of the institution and assure that tenured faculty meet those needs.

Following a lengthy discussion with questions to both President Kirkpatrick and Dr. Olivier, Regent Temple moved that the findings of the faculty hearing panel with respect to Dr. Philip D. Olivier's allegations concerning the non-renewal of his appointment to the faculty at U. T. San Antonio be approved and that the administrative decision not to renew Dr. Olivier's appointment be ratified.

Regent Beecherl seconded the motion which carried by a vote of six (6) AYES with Regents Ramirez, Holmes, and Rapoport abstaining.

SCHEDULED MEETING.--Vice-Chairman Cruikshank announced that the next meeting of the U. T. Board of Regents would be held on April 9, 1992, at The University of Texas at San Antonio.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 4:30 p.m.


Arthur H. Dilly
Executive Secretary

February 25, 1992