

Meeting No. 885

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

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May 11, 1995

Galveston, Texas

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 OF
 THE UNIVERSITY OF TEXAS SYSTEM
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THURSDAY, MAY 11, 1995.--The members of the Board of Regents of The University of Texas System convened in regular session at 10:10 a.m. on Thursday, May 11, 1995, in the Executive Vice President's Conference Room on the Sixth Floor of the Administration Building at The University of Texas Medical Branch at Galveston, Galveston, Texas, with the following in attendance:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Rapoport, presiding	
Vice-Chairman Hicks	
Vice-Chairman Smiley	
Regent Deily	
Regent Evans	
Regent Holmes	
Regent Lebermann	
Regent Loeffler	
Regent Temple	

Executive Secretary Dilly

Chancellor Cunningham
Executive Vice Chancellor Duncan
Executive Vice Chancellor Mullins
Executive Vice Chancellor Burck

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

RECESS TO BRIEFING AND EXECUTIVE SESSIONS.--Chairman Rapoport announced that the Board would recess to convene a briefing session and Executive Session pursuant to Texas Government Code, Chapter 551, Sections 551.071, 551.072, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE.--At 1:15 p.m., the Board reconvened in open session in the Caduceus Room of the Administration Building.

WELCOME BY THOMAS N. JAMES, M.D., PRESIDENT OF THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON.--Chairman Rapoport stated that the Board was pleased to be meeting at The University of Texas Medical Branch at Galveston and was especially delighted to participate last evening (May 10) in the event honoring The Sealy & Smith Foundation for its longtime and remarkably generous support of the clinical programs and hospitals of the U. T. Medical Branch - Galveston. He then called on Thomas N. James, M.D., President of U. T. Medical Branch - Galveston, for any welcoming remarks on behalf of the host institution.

On behalf of the faculty, staff, and students of U. T. Medical Branch - Galveston, President James welcomed the members of the Board and other guests to the campus.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON FEBRUARY 9, 1995, AND SPECIAL MEETING HELD ON MARCH 10, 1995.--Upon motion of Regent Temple, seconded by Regent Loeffler, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on February 9, 1995, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLII, Pages 1066 - 1866.

Upon motion of Regent Evans, seconded by Regent Temple, the Minutes of the special meeting of the Board of Regents of The University of Texas System held on March 10, 1995, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLII, Pages 1867 - 1869.

SPECIAL ITEMS

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Approval of Amendments to Chapter VII, Section 2, Subsection 2.3 (Composition and Operation of the Component Institution Development Board) and Section 3, Subsection 3.12 (The Advisory Councils of a Component Institution) and Delegation to the Chancellor for Final Approval of Membership of Component Development Boards and Advisory Councils.--In accordance with the recommendations of The University of Texas System Process Review Committee, the Board, at its meeting in December 1994, adopted procedural changes in the approval process for members of component development boards and advisory councils and delegated the final approval of the membership of the U. T. System development boards and advisory councils to the Chancellor following consultation with the appropriate Executive Vice Chancellor.

In order to reflect these actions, the Board amended the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.3 and Section 3, Subsection 3.12, regarding the composition and operation of component development boards and advisory councils to read as set forth below:

- 2.3 Composition and Operation of the Component Institution Development Board.--The component institution development board shall consist of members recommended and appointed by the chief administrative officer of each component institution with final review and approval of the membership delegated by the Board of Regents to the Chancellor following consultation with the appropriate Executive Vice Chancellor. Chief administrative officers shall adopt guidelines for the appointment and/or reappointment of the members of the component institution development board. The guidelines shall make clear each individual's term of office and the expectations and responsibilities of membership. Consideration shall be directed to appropriate balance in board membership, including concerns relating to gender, ethnicity, range of experience, geographical distribution, and the special needs of the institution and the board. Component institutions shall forward an accurate roster of development board membership to the Chancellor via the Vice

Chancellor for Development and External Relations no later than July 15 of each year. All terms shall officially begin on September 1. Official rosters of board membership shall be maintained in the Office of the Board of Regents and in the Offices of the Chancellor, the Executive Vice Chancellors for Academic Affairs and Health Affairs, and the Vice Chancellor for Development and External Relations. The chief administrative officer and the Chancellor (or his or her delegate) shall be ex officio members with voting privileges. The component institution development board will elect a Chairman and such other officers as are appropriate from among its membership.

- 3.12 An advisory council shall consist of members recommended by the dean or director of the school, college, or other approved unit and appointed by the chief administrative officer of the component institution with final approval of the membership delegated by the Board of Regents to the Chancellor following consultation with the appropriate Executive Vice Chancellor. Chief administrative officers shall, in consultation with the dean or director of the school, college, or other approved unit, adopt guidelines for the appointment and/or reappointment of the members of the component's advisory council(s). The guidelines shall make clear each individual's term of office and the expectations and responsibilities of membership. Consideration shall be directed to appropriate balance in advisory council membership, including concerns relating to gender, ethnicity, years of involvement or experience with the college, school, or unit, geographical distribution, and the special needs of the school, college, or unit. Component institutions shall forward accurate rosters of advisory council membership(s) to the Chancellor via the Vice Chancellor for Development and External Relations no later than July 15 of each year. All terms shall officially begin on September 1. Official rosters of advisory council membership shall be maintained in the Office of the Board of Regents and in the Offices of the Chancellor, the Executive Vice Chancellors for Academic Affairs and Health Affairs, and the Vice Chancellor for Development and External Relations. The chief administrative officer of the component institution shall be an ex officio member of the component institution's advisory councils.

2. U. T. System: Adoption of Change in Regents' Policy Concerning Settlement of Claims and Litigation.--To avoid delays in obtaining settlement approval which could potentially jeopardize early settlement of meritorious cases, the Board unanimously agreed to increase the monetary limits for the settlement authority regarding claims and litigation that was delegated to The University of Texas System Administration through the U. T. Board of Regents' action in October 1978, and amended in October 1985, as set forth on Page 4.

Up to and including \$150,000	-	Vice Chancellor and General Counsel
Over \$150,000 and up to and including \$300,000	-	Concurrence of the Chancellor
Over \$300,000 and up to and including \$500,000	-	Concurrence of Chairman of U. T. Board of Regents
Over \$500,000	-	Concurrence of U. T. Board of Regents, the Executive Committee, or the appropriate Standing Committee of the Board

The increases in settlement authority will allow meritorious claims and lawsuits to be settled rapidly without the necessity of waiting for up to three months for a U. T. Board of Regents' meeting.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 1:20 p.m., the Board recessed for the meetings of the Standing Committees, and Chairman Rapoport announced that at the conclusion of each committee meeting the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Page 5).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Rapoport reported to the Board that there were no actions by the Executive Committee since the last meeting for ratification and approval by the U. T. Board of Regents except for Executive Committee Letters 95-9 through 95-13 as noted below:

U. T. System: Approval of Executive Committee Letters 95-9 Through 95-13 Via the Chancellor's Docket Process.--Chairman Rapoport reminded the Board that, at its meeting in December 1994, the Board authorized the approval/ratification of Executive Committee Letters via The University of Texas System Administration Docket effective with the May 1995 meeting of the Board. Consequently, Executive Committee Letters 95-9 through 95-13, which had been distributed since the February 1995 meeting of the Board and which had received the prior approval of the Executive Committee, appear in the U. T. System Administration Docket on Pages ECL 1 - 9 and will be considered for approval or ratification on the agenda of the Business Affairs and Audit Committee as set out on Page 6.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 6 - 155).--Committee Chairman Smiley 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. 81 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 81 in the form distributed by the Executive Secretary. It is attached following Page 235 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.

To avoid any appearance of a possible conflict of interest, the following abstentions from voting on individual items in the Docket were noted:

Regent Deily with regard to Item 2 in Executive Committee Letter 95-11 concerning property acquisition by The University of Texas at Austin

Regent Temple with regard to Item 4 in Executive Committee Letter 95-13 concerning a construction contract award for the Liberal Arts Complex at The University of Texas at Tyler

Regent Deily with regard to Item 41 on Page G & B - 15 concerning an endowed scholarship gift to U. T. Austin.

It was noted that Item 37 on Page G & B - 13 related to the proposed establishment of the Swedish Studies Excellence Endowment in the College of Liberal Arts at U. T. Austin was withdrawn.

Committee Chairman Smiley noted that this Docket is the first to include several categories of items which, on recommendation of The University of Texas System Process Review Committee, chaired by Regent Lebermann, and Regental approval at the December 1994 meeting, were being processed for formal approval via the Docket rather than the Material Supporting the Agenda.

For this meeting, this procedural change has reduced the agenda by approximately 100 items without diminishing the quality or scope of the information available to the Board. In addition, a large amount of staff time and effort previously required to prepare these items for the agenda process can be directed to other more priority efforts.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Approval to Amend Chapter II, Section 3, Subsection 3.21 (Purview and Primary Duties of the Chancellor); Section 4, Subsection 4.2 (Duties and Responsibilities of the Executive Vice Chancellor for Academic Affairs); Section 5, Subsection 5.2 (Duties and Responsibilities of the Executive Vice Chancellor for Health Affairs); and Section 6, Subsections 6.2(16) and 6.2(17) (Duties and Responsibilities of the Executive Vice Chancellor for Business Affairs) to Add the Responsibilities for Internal Controls.--In July 1994, the Committee Revising Internal Controls prepared The University of Texas System Action Plan to Enhance Internal Controls through Awareness, Accountability and Audit Committees. As part of the Action Plan, a review of the Regents' Rules and Regulations was performed to ensure that the role of the U. T. Board of Regents and the U. T. System administrative leadership recognizes and emphasizes the responsibility to establish and maintain an effective internal control system.

In order to reflect the administrative leadership's responsibility in implementing and monitoring internal controls, the Board amended Chapter II of Part One of the Regents' Rules and Regulations as follows:

- a. Section 3, Subsection 3.21 (Purview and Primary Duties of the Chancellor) was amended to read as set forth below:

Sec. 3. Chancellor.

3.21 Advising and counseling with the Board with respect to the policies, purposes, and goals of the System; acting as executive agent of the Board in implementing its policies and a system of internal controls; representing the System in all other respects as deemed appropriate to carry out such policies, purposes and goals, and interpreting and articulating the System's academic, administrative and developmental policies, programs, needs and concerns to the general public and to other constituencies at the community, state, regional and national levels.

- b. Section 4, Subsection 4.2 (Duties and Responsibilities of the Executive Vice Chancellor for Academic Affairs) was amended to read as set forth below:

Sec. 4. Executive Vice Chancellor for Academic Affairs.

4.2 Duties and Responsibilities.
The Executive Vice Chancellor for Academic Affairs shall have as a prime responsibility the maintenance of high academic quality in the general academic components of the System. Through the chief

administrative officers of the component institutions, he or she shall have responsibility for the budgets, academic planning and programs, facilities planning and construction, and personnel (both academic and nonacademic) of those components. In consultation with the Chancellor, the Executive Vice Chancellor for Academic Affairs shall prepare recommendations and supporting information on such matters for consideration by the appropriate standing committees of the Board and the Board of Regents. The Executive Vice Chancellor for Academic Affairs is responsible and accountable for ensuring that appropriate internal controls are implemented and monitored in the general academic components of the System. The Board through its policies, procedures, and Rules and Regulations maintains its governance responsibilities and acknowledges the importance of maintaining accreditation for the general components and academic programs, as appropriate. Because of the complexity and diversity of the System, the Executive Vice Chancellor for Academic Affairs is delegated the responsibility for ensuring the governance requirements for accreditation not specifically covered elsewhere in these policies, procedures, and Rules and Regulations are met. The Executive Vice Chancellor for Academic Affairs will report the accreditation status to the Board on a periodic basis.

- c. Section 5, Subsection 5.2 (Duties and Responsibilities of the Executive Vice Chancellor for Health Affairs) was amended to read as set forth below:

Sec. 5. Executive Vice Chancellor for Health Affairs.

5.2 Duties and Responsibilities.

The Executive Vice Chancellor for Health Affairs shall have as a prime responsibility the maintenance of high academic quality in the health-related teaching institutions and high quality health services in the health-care delivery institutions of the System. The Board through its policies, procedures, and Rules and Regulations maintains its governance responsibilities, and acknowledges the importance of maintaining accreditation for hospital, clinic and other patient-care facilities. Because of the complexity and diversity of the System, the Executive Vice Chancellor for Health

Affairs is delegated the responsibility for ensuring the governance requirements for accreditation not specifically covered elsewhere in these policies, procedures, and Rules and Regulations are met.

The Executive Vice Chancellor for Health Affairs will report the accreditation status to the Board on a periodic basis. Through the chief administrative officers of the component institutions, he or she shall have responsibility for the budgets, academic planning and programs, facilities planning and construction, and personnel (both academic and non-academic) of those components. In consultation with the Chancellor, the Executive Vice Chancellor for Health Affairs shall prepare recommendations and supporting information on such matters for consideration by the appropriate standing committees of the Board and the Board of Regents. The Executive Vice Chancellor for Health Affairs is responsible and accountable for ensuring that appropriate internal controls are implemented and monitored in the health-related teaching institutions and the health-care delivery institutions.

- d. Section 6, Subsections 6.2(16) and 6.2(17) (Duties and Responsibilities of the Executive Vice Chancellor for Business Affairs) was amended to read as set forth below:

Sec. 6. Executive Vice Chancellor for Business Affairs.

6.2 Duties and Responsibilities.

- 6.2(16) Implementing and monitoring appropriate internal controls in all internal administrative operations listed in 6.2(10).
- 6.2(17) Performing such other duties as may be assigned by the Chancellor.

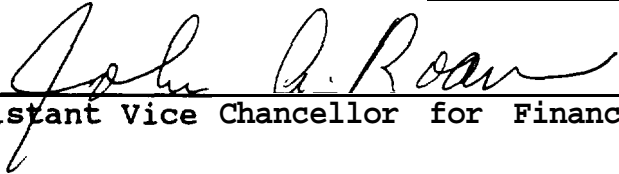
3. U. T. Board of Regents: Adoption of Resolution Approving and Authorizing the Issuance of Board of Regents of The University of Texas System Revenue Financing System Bonds, in an Amount Not to Exceed \$232,000,000, and Approval of the Official Statement; Authorization for Sale of the Series 1995A Bonds to Morgan Stanley & Co. Incorporated, New York, New York; Appointment of Bankers Trust Company, New York, New York, as Escrow Agent; McCall, Parkhurst & Horton, Dallas, Texas, and Lannen & Oliver, Dallas, Texas, as Co-Bond Counsel; Texas Treasury, Austin, Texas, as Paying Agent; and KPMG Peat Marwick, Houston, Texas, as Escrow Verification Agent; and Authorization for Officers of U. T. System to Complete All Transactions.--Following opening remarks by Executive Vice Chancellor for Business Affairs Burck and upon delivery of the Certificate of an Authorized Representative as set out on Page 11, the Board:
- a. Adopted the Resolution and approved the Official Statement substantially in the form set out on Pages 12 - 153 to authorize the issuance of Board of Regents of The University of Texas System Revenue Financing System Bonds (RFS), in an aggregate principal amount not to exceed \$232,000,000 with a final maturity not to exceed August 15, 2020, to be used to retire existing Revenue Financing System Commercial Paper Notes, Series A, to refund all outstanding Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986, and to provide new money for construction
 - b. Authorized the sale of the Revenue Financing System Bonds, Series 1995A, to Morgan Stanley & Co. Incorporated, New York, New York
 - c. Appointed Bankers Trust Company, New York, New York, as Escrow Agent
 - d. Appointed McCall, Parkhurst & Horton, Dallas, Texas, and Lannen & Oliver, Dallas, Texas, as Co-Bond Counsel
 - e. Appointed the Texas Treasury, Austin, Texas, as Paying Agent
 - f. Appointed KPMG Peat Marwick, Houston, Texas, as Escrow Verification Agent
 - g. Authorized appropriate officers and employees of the U. T. System as set forth in the related documents to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution.

With the approval of this Resolution, the Board will authorize \$232,000,000 of RFS bonds to be issued in several series at times to be determined by Board representatives. In addition to funding projects in the Capital Improvement Plan, the \$232,000,000 includes approximately \$5,000,000 of proceeds to be used to refund all outstanding Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986, for saving purposes.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5-(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance the cost of construction of eligible projects and to refund all outstanding Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution, and- is not in default of any of the terms, provisions and conditions in said Master Resolution, First Supplemental Resolution and Second Supplemental Resolution as amended.

EXECUTED this d a l y o f Mav , 1995



Assistant Vice Chancellor for Finance

**THIRD SUPPLEMENTAL RESOLUTION TO THE MASTER
RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY
OF BOARD OF REGENT'S OF THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM BONDS, AND. APPROVING AND
AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING
THERE TO**

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THIRD SUPPLEMENTAL RESOLUTION TO THE MASTER
RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY
OF BOARD OF **REGENTS** OF THE UNIVERSITY OF TEXAS SYSTEM
**REVENUE FINANCING SYSTEM BONDS, AND APPROVING AND
AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING
THERE TO**

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of The University of Texas System which are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, the Board, has previously adopted the First and Second Supplemental Resolutions to the Master Resolution authorizing Parity Debt thereunder; and

WHEREAS, the Board has determined to establish a program of authorizing all of its long term financing under the Revenue Financing System on an annual basis with this resolution authorizing bonds to be issued through August 1996; and

WHEREAS, pursuant to such program, the Board has determined to authorize the issuance of Parity Debt in the form of long term **fixed** rate bonds to provide permanent financing for the facilities and improvements financed with the proceeds of some of its outstanding Revenue Financing System Commercial Paper Notes, Series A (the "Refunded Notes") by refunding such Refunded Notes; and

WHEREAS, also in furtherance of such financing program and in recognition that only certain improvements can be financed on an interim basis through the Commercial Paper Program, the Board has determined to authorize the issuance of Parity Debt in the form of long term **fixed** rate bonds to **finance** the cost of those improvements approved by the Board which are not to be financed on an interim basis, including those to be financed with the initial series of Parity Debt under this Supplement and defined in Exhibit A as the Initial Series Improvements; and

WHEREAS, the Board has also determined to **refund** the Board of Regents of Pan American University Tuition Revenue **Refunding** Bonds, Series 1986 (the "Refunded Pan American Bonds"), and thereby make the moneys in the reserve fund securing such bonds available to pay the costs of

improvements at the University of Texas • Pan American (the **Refunded** Notes and the Refunded Pan American Bonds are hereinafter collectively referred to as the “Refunded Obligations”); and

WHEREAS, the Board hereby determines and deems it necessary to authorize the issuance of Parity Debt pursuant to this Third Supplement to the Master Resolution for such purposes ; and

WHEREAS, the bonds (the "**Bonds**") authorized to be issued by this Third Supplement are to be issued and delivered pursuant to Chapter 55, Texas Education Code, Vernon’s Ann. Tex. Civ. St. Article 717q, and other applicable laws, including Vernon’s Ann. Tex. Civ. St. Article 7 17k insofar as it may be required in connection with the refunding of the Refunded Obligations and the Escrow Agreements herein authorized.

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

Section 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Third Supplement, the terms used in this Third Supplement (except in the Form of Bonds) and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit “A” to this Third Supplement attached hereto and made a part hereof

Section 2. AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS, The Board’s “BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM BONDS, SERIES”, are hereby authorized to be issued and delivered in one or more series and in the maximum aggregate principal amount of **\$232,000,000**, FOR THE PURPOSE OF (i) REFUNDING **\$135,000,000** IN AGGREGATE PRINCIPAL AMOUNT OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM REVENUE FINANCING SYSTEM COMMERCIAL PAPER NOTES, SERIES **A**; (ii) REFUNDING THE OUTSTANDING BOARD OF REGENTS OF PAN AMERICAN UNIVERSITY TUITION REVENUE REFUNDING BONDS, SERIES 1986; AND (iii) ACQUIRING, PURCHASING, CONSTRUCTING, IMPROVING, ENLARGING, AND EQUIPPING THE PROPERTY AND FACILITIES OF THE MEMBERS OF THE REVENUE FINANCING SYSTEM; AND PAYING THE COSTS RELATED THERETO. Each series of the Bonds shall be designated by the year in which it is awarded pursuant to Section 3 below and each series within a year shall have a letter designation following the year, with the first series in each year designated Series 199--A. No Series of Bonds shall be issued hereunder after August 3 1, 1996.

The Bonds, herein authorized, unless otherwise indicated, are hereinafter referred to as the “Bonds”, which may be in the form of either Current Interest Bonds or Capital Appreciation Bonds as provided in Section 6.

Section 3. DATE, DENOMINATIONS, NUMBERS, MATURITIES AND TERMS OF BONDS. (a) Terms of Bonds. For each Series of Bonds, there shall initially be issued, sold, and delivered hereunder fully registered bonds, without interest coupons, in the form of Current Interest Bonds or Capital Appreciation Bonds, numbered consecutively for each Series of Bonds **from R-1** upward, in the case of Current Interest Bonds and CR-1 upward, in the case of Capital Appreciation

Bonds, payable to the respective initial registered owners thereof, or to the registered assignee or assignees of said bonds or any portion or portions thereof (in each case, the “Registered Owner”), in the denomination of \$5,000 or any integral multiple thereof with respect to Current Interest Bonds and in the denomination of \$5,000 in Maturity Amount or any integral multiple thereof with respect to Capital Appreciation Bonds (an “Authorized Denomination”), maturing not later than August 15, 2020, serially or otherwise on the dates, in the years and in the principal amounts, respectively, and dated, all as set forth in the Bond Purchase Contract relating to each Series of Bonds.

(b) Board Representative’s Certificate. As authorized by Vernon’s Ann. Tex. Civ. St. Article 717q, as amended, the Board Representative is hereby authorized, appointed, and designated to act on behalf of the Board in selling and delivering each Series of Bonds and **carrying** out the other procedures specified in this Third Supplement, including determining and fixing the date of each Series of Bonds, any additional designation or title by which the Bonds of a Series **shall** be known, the price at which the Bonds of each Series will be sold, the years in which the Bonds of each Series will mature, the principal amount to mature in each of such years, the aggregate principal amount of Current Interest Bonds and Capital Appreciation Bonds of each Series and the aggregate principal amount of the Bonds of each Series, the rate of interest to be borne by each such maturity, the interest payment periods, the dates, price, and terms upon and at which the Bonds of each Series shall be subject to redemption prior to maturity at the option of the Board, as **well** as any mandatory sinking fund redemption provisions, whether each Series of Bonds after the initial Series of Bonds shall be sold at a negotiated or competitive sale, and all other matters relating to the issuance, sale, and delivery of the Bonds of each Series, and the refunding of the Refunded Obligations, **all of** which shall be specified in a certificate of the Board Representative delivered to the Executive Secretary of the Board (the “Board Representative’s Certificate”); provided that (i) the price to be paid for a Series of Bonds shall not be less than 95% of the aggregate original principal amount thereof plus accrued interest thereon **from** its date to its delivery, (ii) none of the Bonds shall bear interest at a rate greater than 10% per annum or in excess of the Maximum Rate, and (iii) Bonds shall be issued to refund the **Refunded** Pan American Bonds only if the moneys in the reserve **fund** securing such bonds shall become available to pay the costs of improvements at the University of Texas - Pan American approved by the Board. The Refunded Pan American Bonds shall be refunded with the first Series of Bonds with respect to which such condition can be met. The amount of savings, if any, to be realized **from** refunding the Refunded Pan American Bonds shall be shown in the Board Representative’s Certificate relating to such Series of Bonds. It is **further** provided, however, that, notwithstanding the foregoing provisions, a Series of Bonds shall not be delivered unless prior to delivery, the Series of Bonds has 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 Vernon’s Ann. Tex. Civ. St. Article 717q, as amended. Each Board Representative’s Certificate is hereby incorporated in and made a part of this Third Supplement and shall be filed in the minutes of the Board as a part of this Third Supplement. In the event that the Board receives a premium as a part of the purchase price of any Series of Bonds, such premium shall be used to pay the first debt service payment coming due on such Series of Bonds.

(c) Sale of The Initial Series of Bonds. It is hereby found and determined to be in the best interests of the Financing System for the initial Series of Bonds to be issued under this Third Supplement to be sold through a negotiated sale **pursuant** to the procedures set forth herein, Morgan

Stanley & Co. Incorporated is hereby designated the senior managing underwriter for the initial **Series** of Bonds. The Board Representative shall select such additional investment banking firms as he or she deems appropriate to assure that the Bonds are sold on the most advantageous terms to the Financing System. The Board Representative, acting for and on behalf of the Board, is authorized to enter into and carry out a Bond Purchase Contract with the Underwriter for the initial Series of the Bonds at such price, with and subject to such terms as determined by the Board Representative pursuant to Section 3(b) above. The Bond Purchase Contract shall be substantially in the form and substance submitted to the Board at the meeting at which this Third Supplement is adopted with such changes as are acceptable to the Board Representative, including those covered by subsection (e) below.

The initial Series of Bonds shall be issued for the purpose of (i) refunding **\$ 34,833,000** in aggregate principal amount of the **Refunded** Notes issued to finance the improvements or facilities authorized by Section 55.1714 listed in Part I of the Initial Series Improvements definition, (ii) refunding the Refunded Pan American Bonds if the conditions set forth in Section 3(b) above can be met, (iii) acquiring, purchasing, constructing, improving, enlarging, and equipping the improvements or facilities listed on Part II of the definition of Initial Series Improvements, and (iv) paying the costs related thereto.

(d) Sale of Subsequent Series of Bonds--Executive Committee Resolution. . To achieve the lowest borrowing costs for the Members of the Financing System, each Series of Bonds to be sold **after** the initial Series of Bonds shall be sold to the public on either a negotiated or competitive basis as determined by resolution of the Executive Committee (the "Executive Committee Resolution"). In determining whether to sell a Series of Bonds by negotiated or competitive sale, the Executive Committee shall take into account the **financial** condition of the State, the System, and the Financing System, any material disclosure issues which might exist at the time, the market conditions expected at the time of the sale, the achievement of the HUB goals of the Board, and any other matters which, in the judgment of the Executive Committee, might affect the net borrowing costs on the Series of Bonds to be sold. Each Board Representative's Certificate is hereby incorporated in and made a part of this Third Supplement and shall be filed in the minutes of the Board as a part of this Third Supplement.

If the Executive Committee determines that a Series of Bonds should be sold at a competitive sale, the Executive Committee Resolution shall authorize and **direct** the Board Representative to prepare a notice of sale and official statement in such manner as the Board Representative deems appropriate, to make the notice of sale and official statement available to those institutions and firms wishing to submit a bid for the Series of Bonds, to receive such bids, and to award the sale of the Series of Bonds to the bidder submitting the best bid in accordance with the provisions of the notice of sale (the "Purchaser").

If the Executive Committee determines that a Series of Bonds should be sold by a negotiated sale, the Executive Committee Resolution shall designate the senior managing underwriter for such Series of Bonds and the Board Representative shall select such additional investment banking firms as he or she deems appropriate to assure that the Bonds are sold on the most advantageous terms to the Financing System. The Board Representative, acting for and on behalf of the Board, is authorized

to enter into and carry out a Bond Purchase Contract for each Series of the Bonds to be sold by negotiated sale, with the Underwriter at such price, with and subject to such terms as determined by the Board Representative pursuant to Section 3(b) above. Each Bond Purchase Contract shall be substantially in the form and substance submitted to the Board at the meeting at which this Third Supplement is adopted with such changes as are acceptable to the Board Representative, including those covered by subsection (e) below.

The Executive Committee is authorized and directed to determine which facilities and improvements will be financed or refinanced with the proceeds of each Series of Bonds tier the initial Series of Bonds taking into account (i) projections for the economy, (ii) which improvements and facilities financed with the proceeds of the **Refunded** Notes have been completed or are scheduled for completion prior to the sale of the next following Series of Bonds, (iii) the economic projections for each such facility and improvement and the Member on whose campus the facility or improvement is located, and (iv) which facilities and improvements are being made pursuant to Section 55.1714 of the Education Code and the projected budget impact on the Financing System of such **financing**. The designation of which improvements or facilities are to be financed or refinanced with the proceeds of a Series of Bonds shall be set forth in the Executive Committee Resolution. Before the Executive Committee may determine that any improvement or facility is to be financed or refinanced with the proceeds of a Series of Bonds, (i) the improvement or facility must have been approved for construction and financing by the Board, (ii) the Board must have made the findings required by Section 5 of the Master Resolution with respect to the Parity Debt to be issued for such improvement or facility, and (ii) the Board must have received an approval of the improvement or facility **from** the Texas Higher Education Coordinating Board if such approval is legally required.

To the extent that it is economically reasonable, improvements or facilities to be financed or refinanced pursuant to Section 55.1714 of the Education Code shall be financed in separate Series of Bonds and the Executive Committee Resolution relating to each such Series of Bonds shall show the principal amount of Parity Debt, including the Bonds, issued for each Member pursuant to Section 5 5.17 14 of the Education Code and the additional Parity Debt which may be issued pursuant to such section.

(e) Official Statement and Continuing Disclosure. The Board Representative is further authorized to oversee the preparation of an official statement relating to each Series of Bonds to be used by the Purchaser or Underwriter, as the case may be, in marketing the Series of Bonds, to approve such official statement on behalf of the Board, and to make such findings with respect to the official statement for the benefit of the Purchaser or **Underwriter**, as the case may be, as in the judgment of the Board Representative and Bond Counsel are legal, necessary, and appropriate.

In recognition of the revisions to Securities and Exchange Commission Rule **15c2-12** (the "Rule") expected to become effective after July 1, 1995, and the undertakings imposed by such Rule on market participants, the Board hereby authorizes and directs the Executive Committee to include in the Executive Committee Resolution, in the Bond Purchase Contract, if any, and in the official statement relating to each Series of Bonds to be sold after the Rule becomes effective, such undertakings on the part of the Board with respect to continuing disclosure (i) as in the opinion of Bond Counsel are legal under the laws of the State of Texas and are legally required by the Rule as

a condition to the purchase of the Series of Bonds by the Purchaser or Underwriter, as the case may be, and which, in the judgment of the Board Representative, are necessary and appropriate for the Series of Bonds to be sold on the most favorable terms.

(f) ~~Each~~ Each Bonds of each Series (i) may and shall be redeemed prior to the respective scheduled maturity dates, (ii) may be assigned and transferred, (iii) may be exchanged for other Bonds of such Series, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in the FORM OF BONDS set forth in Exhibit B to this Third Supplement and as determined by the Board Representative as provided herein, with such changes and additions as are required to be consistent with the terms and provisions shown in the Board Representative's Certificate relating to a Series of Bonds.

Section 4. INTEREST. The Current Interest Bonds of each Series of Bonds **shall** bear interest calculated on the basis of a **360-day** year composed of twelve **30-day** months from the dates specified in the FORM OF BONDS and in the Board Representative's Certificate to their respective dates of maturity at the rates set forth in the Board Representative's Certificate.

The Capital Appreciation Bonds of each Series of Bonds shall bear interest **from** the Issuance Date for such Series of Bonds, calculated on the basis of a 360-day year composed of twelve **30-day** months (subject to rounding to the Compounded Amounts thereof), compounded semiannually on the dates set forth in the Board Representative's Certificate (the "Compounding Dates") commencing on the date set forth in the Board Representative's Certificate, and payable, together with the principal amount thereof: in the manner provided in the FORM OF BONDS at the rates set forth in the Board Representative's Certificate. Attached to the Board Representative's Certificate if Capital Appreciation Bonds are to be issued shall be an Exhibit (the "Compounded Amount Table") which will set forth the rounded original principal amounts at the Issuance Date for the Capital Appreciation Bonds and the Compounded Amounts and Maturity Amounts thereof (**per** \$5,000 Maturity Amount) as of each Compounding Date, commencing the date set forth in the Board Representative's Certificate, and continuing until the final maturity of such Capital Appreciation Bonds. The Compounded Amount with respect to any date other than a Compounding Date is the amount set forth on the Compounded Amount Table with respect to the last **preceding** Compounding Date, plus the portion of the difference between such amount and the amount set forth on the Compounded Amount Table with respect to the next succeeding Compounding Date that the number of days (based on 30-day months) from such last preceding Compounding Date to the date for which such determination is being calculated bears to the total number of days (based on 30-day months) **from** such last preceding Compounding Date to the next succeeding Compounding Date.

Section 5. REGISTRATION, TRANSFER AND EXCHANGE; AUTHENTICATION; BOOK-ENTRY ONLY SYSTEM. (a) Paying Agent. The Treasurer of the State of Texas, is hereby appointed the Paying Agent (the "Paying Agent") for the Bonds. The Board Representative is authorized to enter into and carry out a Paying Agent Agreement with the Paying Agent with respect to the Bonds.

(b) Registration Books The Board shall keep books or records for the registration of the transfer, exchange, and replacement of each Series of Bonds (the "Registration Books"), and the Board hereby designates itself as the initial registrar and transfer agent (the "Registrar") to keep such books or records and make such registrations of transfers, exchanges, and replacements under such reasonable regulations as the Board may prescribe; and the Registrar shall make such registrations, transfers, exchanges, and replacements as herein provided. 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; but it shall be the duty 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, if not the Registrar, 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.

(c) 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 Third Supplement, whether or not such Bond shall **be** overdue, and, to the extent permitted by law, the Board and the Paying Agent and the Registrar shall not be **affected** by any notice to the contrary; and 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 sum or sums so paid.

(d) Payment of Bond and Interest. The Board hereby further appoints the Paying **Agent** to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Third Supplement. The Paying Agent shall keep proper records of all payments made by the Board and the Paying Agent with respect to the Bonds.

(e) Authentication. The Bonds of each Series initially issued and delivered pursuant to this Third Supplement shall be authenticated by the Paying Agent by execution of the Paying Agent's Authentication Certificate unless they have been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas, and on each substitute Bond issued in exchange for any Bond or Bonds issued under this Third Supplement the Paying Agent shall execute the PAYING AGENTS AUTHENTICATION CERTIFICATE. The Authentication Certificate shall be in the form set forth in the FORM OF BONDS.

(f) Transfer, Exchange, or Replacement. Each Bond issued and delivered pursuant to this Third Supplement, to the extent of the unpaid or unredeemed principal amount or Maturity Amount 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 the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be exchanged for fully registered bonds, without interest coupons, in the appropriate form prescribed in the FORM OF BONDS set forth in this Third Supplement, in the denomination of any Authorized Denominations (subject to the requirement hereinafter stated that

each substitute Bond shall be of the same Series and have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an **aggregate principal amount** equal to the unpaid or unredeemed principal amount or Maturity Amount, of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. **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 Series designation and maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of the registered owner, and in aggregate principal amount or Maturity Amount equal to the unredeemed portion thereof: will be issued to the registered owner upon surrender thereof for cancellation.** If any Bond or portion thereof is assigned and **transferred**, each Bond issued in exchange **therefor shall** have the same Series designation and maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond of each Series shall bear a letter and/or number to distinguish it **from** each other Bond of such Series. The Paying Agent and the Registrar shall exchange or replace Bonds as provided herein, and each fully registered bond delivered in exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Third Supplement **shall** constitute one of the Bonds for all purposes of this Third Supplement, and may again be exchanged or replaced. On each substitute Bond issued in exchange for or replacement of any Bond or Bonds issued under this Third Supplement there shall be printed an Authentication Certificate, in the form set forth in Exhibit B to this Third Supplement. An authorized representative of the Paying Agent shall, before the delivery of any such Bond, date and manually sign the Authentication **Certificate**, and, except as provided in (e) above, no such Bond shall be deemed to be issued or outstanding unless such **Certificate** is so executed. **The** Registrar promptly shall cancel all Bonds surrendered for transfer, exchange, or replacement. No additional orders or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing transfer; exchange, or replacement of any Bond or portion thereof, and the Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein and said Bonds shall be in typed or printed form as determined by the Board Representative. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of transfer, exchange, or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent and the Registrar, and, upon the execution of the above Paying Agent's Authentication Certificate, the exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which were originally issued pursuant to **this Third Supplement**. The Board shall pay the Paying Agent and the Registrar's standard or customary fees and charges, if any, for **transferring**, and exchanging any Bond or any portion thereof, but the one requesting any such transfer 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. The Paying Agent and Registrar shall not be required to make any such transfer, exchange, or replacement of Bonds or any portion thereof (i) with respect to a Current Interest Bond, during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following 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. To the extent possible, any new Bond issued in an exchange, replacement, or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner not more than three business days after the receipt of the Bonds to be cancelled and the written request as described above.

(g) Substitute Paying Agent and 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 Third Supplement, and that, if the Book-Entry Only System described in subsection (h) below is discontinued, the Paying Agent and Registrar will be one entity. The Board reserves the right to, and may, at its option, change the Paying Agent and the Registrar upon not less than 120 days written notice to the Paying Agent and the 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 or Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the Board covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent or Registrar under this Third Supplement. Upon any change in the Paying Agent or Registrar, the previous Paying Agent or 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 or Registrar designated and appointed by the Board. Upon any change in the Paying Agent or Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent or 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 or Registrar. By accepting the position and performing as such, each Paying Agent and Registrar shall be deemed to have agreed to the provisions of this Third Supplement, and a certified copy of this Third Supplement shall be delivered to each Paying Agent and Registrar.

(h) Book-Entry Only System. The Bonds of each Series issued in exchange for the Bonds initially issued shall be issued in the form of a separate single **fully** registered Bond for each of the maturities thereof registered in the name of Cede **&** Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), and except as provided in subsection (i) hereof, all of the Outstanding Bonds shall be registered in the name of Cede **&** Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede **&** Co., as nominee of DTC, the Board, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest on the Bonds. Without limiting the immediately preceding sentence, the Board, the Paying Agent and the 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 Bondholder, as shown on the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than a Bondholder, as shown in the Registration Books of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Third Supplement to the contrary but to the extent **permitted** by law, the Board, the Paying Agent and the Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest, **with** respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes

whatsoever. The Paying Agent and the Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective owners, as shown in the Registration Books as provided in this Third Supplement, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Board's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the Board to make payments of principal, premium, if any, and interest pursuant to this Third Supplement. Upon delivery by DTC to the Paying Agent and the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Third Supplement with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the word "Cede & Co." in this Third Supplement shall refer to such new nominee of DTC.

(i) Successor Securities Depository: Transfers Outside Book-Entry Only System. In the event that the Board, the Paying Agent or the Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the Board to DTC or DTC determines to discontinue providing its services with respect to a Series of Bonds, the Board shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds of such Series to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds of such Series to DTC Participants having Bonds of such Series credited to their DTC accounts. In such event, the Bonds of such Series shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Bondholders transferring or exchanging such Bonds shall designate, in accordance with the provisions of this Third Supplement.

(j) Payments to Cede & Co. Notwithstanding any other provision of this Third Supplement to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the Board to DTC.

(k) Notice of Redemption. (i) In addition to the Notice of Redemption set forth in the FORM OF BONDS, the 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 the Paying Agent and 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 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 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.

(ii) Each Notice of Redemption, whether required in the FORM OF BONDS 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 names of the Paying Agent and the Registrar and the address at which the Bonds may be redeemed, including a contact person and telephone number.

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

Section 6. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent's Authentication Certificate, the form of Assignment and the form of Registration **Certificate** of the Comptroller of Public Accounts of the State of Texas, if needed with respect to the Bonds of each Series initially issued and delivered pursuant to this Third Supplement, shall be, respectively, substantially as set forth in Exhibit B, with such appropriate variations, omissions, or insertions as are permitted or required by this Third Supplement and any Bond Purchase Contract.

Section 7. ESTABLISHMENT OF FINANCING SYSTEM AND ISSUANCE OF PARITY OBLIGATIONS. By adoption of the Master Resolution, the Board **has** established The University of Texas System Revenue Financing System for the purpose of providing a financing structure for revenue supported indebtedness of components of The University of Texas System which are from time to time included as Members of the Financing System. **The** Master Resolution is intended to establish a master plan under which revenue supported debt of the Financing System can be incurred. This Third Supplement provides for the authorization, issuance, sale, delivery, form, characteristics, provisions of payment and redemption, and security of the Bonds as Parity Debt. The Master Resolution is incorporated herein by reference and as such made a part hereof for all purposes, except to the extent **modified** and supplemented hereby, and the Bonds are hereby declared to be Parity Debt under the Master Resolution. As required by Section S(a) of the Master Resolution, the Board hereby determines that upon the issuance of the Bonds it will have sufficient funds to meet the financial obligations of The University of Texas System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf the Bonds are to be issued possess the financial capacity to satisfy their Direct Obligations after taking the Bonds into account.

Section 8. SECURITY AND PAYMENTS. The Bonds are special obligations of the Board payable **from** and secured solely by **the** Pledged Revenues pursuant to the Master Resolution and this Third Supplement. The Pledged Revenues are hereby pledged, subject to the liens securing the Prior Encumbered Obligations, to the payment of the principal of, premium, if any, and interest on the

Bonds as the same shall become due and payable. The Board agrees to pay the principal of, premium, if any, and the interest on the Bonds when due, whether by reason of maturity or redemption.

Section 9. PAYMENTS. **Semiannually** on or before each principal or interest payment date while any of the Bonds are outstanding and unpaid, commencing on the first interest payment date for each respective Series of Bonds as provided in the Board Representative's Certificate, the Board shall make available to the Paying Agent, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such principal, redemption, or interest payment date. The Paying Agent shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

Section 10. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

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

(b) Application for Replacement Bonds. 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.

(c) Payment in Lieu of Replacement. 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, redemption premium, if any, 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 Section.

(d) Charge for Issuing Replacement Bonds. 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 Third Supplement equally and proportionately with any and all other Bonds duly issued under this Third Supplement.

(e) Authority for Issuing Replacement Bonds. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section shall constitute authority for the issuance of any such

replacement bond without the 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 and the Registrar, and the Paying Agent shall authenticate and deliver such Bonds in the form and manner and **with** the effect, as provided in Section 5(f) of this Third Supplement for Bonds issued in exchange and replacement for other Bonds.

Section 11. AMENDMENT OF SUPPLEMENT. (a) Amendments Without Consent. This Third Supplement and the rights and obligations of the Board and of the owners of the Bonds may be modified or amended at any time without notice to or the consent of any owner of the Bonds or any other Parity Debt, solely for any one or more of the following purposes:

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

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

(iii) To supplement the security for the Bonds, replace or provide additional credit facilities, or change the form of the Bonds or **make** such other changes in the provisions hereof as the Board may deem **necessary** or desirable and which shall not, in the judgment of the Board, materially adversely **affect** the interests of the owners of the Outstanding Bonds; or

(iv) To make any changes or amendments requested by any bond rating agency then rating or requested to rate Bonds, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the Outstanding Bonds.

(b) Amendments With Consent. Subject to the other provisions of this Third Supplement, the owners of Outstanding Bonds aggregating 5 1 percent in **Outstanding** Principal Amount shall have the right from time to time to approve any amendment, other than amendments described in Subsection (a) of this Section, to this Third Supplement which 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 Bonds, the amendment of the terms and conditions in this Third Supplement or in the Bonds so as to:

- (1) Make any change in the maturity of the Outstanding Bonds;
- (2) Reduce the rate of interest borne by Outstanding Bonds;
- (3) Reduce the amount of the principal payable on Outstanding Bonds;

- (4) Modify the terms of payment of principal of or interest on the Outstanding Bonds, or impose any conditions with respect to such payment;
- (5) Affect the rights of the owners of less than all Bonds then Outstanding; or
- (6) Change 'the minimum percentage of the Outstanding Principal Amount of Bonds' necessary for consent to such amendment.

(c) Notice. **If** at any time the Board shall desire to amend this Third Supplement other than pursuant to (a) above, the Board shall cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in **The** City of New York, New York once during each calendar week for at least two successive calendar weeks. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of the Registrar for inspection by all owners of Bonds. Such publication is not required, however, if the Board gives or causes to be given such notice in writing to each owner of Bonds.

(d) Receipt of Consents. **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 all of the owners or the owners of at least 51 percent in Outstanding Principal Amount of Bonds, as appropriate, 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.

(e) Effect of Amendments. Upon the adoption by the Board of any resolution to amend this Third Supplement pursuant to the provisions of this Section, this Third Supplement 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 Bonds and all **future** Bonds shall thereafter be determined, exercised, and enforced under the Resolution and this Third Supplement, as amended.

(f) Consent Irrevocable. Any consent given by any owner of Bonds pursuant to the provisions 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 Bonds 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 Registrar and the Board, but such revocation shall not be effective if the owners of **51** percent in Outstanding Principal Amount of Bonds, prior to the attempted revocation, consented to and approved the amendment.

(g) Ownership. For the purpose of this Section, the ownership and other matters relating to all Bonds registered as to ownership shall be determined from the registration books kept by the Registrar therefor. The Registrar may conclusively assume that such ownership continues until written notice to the contrary is served upon the Registrar.

Section 12. COVENANTS REGARDING TAX-EXEMPTION. The Board covenants to **refrain** from any action which would adversely affect, or to take such action to assure, the treatment of the Bonds as obligations described in section 103 of the Code, the interest on which is not includable in the “gross income” of the holder for purposes of federal income taxation. In furtherance thereof, the Board covenants as follows:

(a) to take any action to assure that no more than **10** percent of the proceeds of the Bonds (less amounts deposited to a reserve fund, if any) are used for any “private business use,” as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds are so used, that amounts, whether or not received by the Board, with respect to such private business use, do not, under the terms of this Third Supplement or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(b) to take any action to assure that in the event that the “private business use” described in subsection (a) hereof exceeds 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a “private business use” which is “related” and not “disproportionate,” within the meaning of section 141(b)(3) of the Code, to the governmental use;

(c) to take any action to assure that no amount which is greater than the lesser of **\$5,000,000**, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(d) to **refrain from** taking any action which would **otherwise** result in the Bonds being treated as “private activity bonds” within the meaning of section 141(b) of the Code;

(e) to **refrain from** taking any action that would result in the Bonds being “federally guaranteed” within the meaning of section 149(b) of the Code;

(f) to **refrain from** using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with

(1) proceeds of the Bonds invested for a reasonable temporary period of 3 years or less or, in the case of a refunding bond, for a period of 30 days or less until such proceeds are needed for the purpose for which the bonds are issued,

(2) amounts invested in a bona’fide debt service **fund**, within the meaning of section ~~1.103-13(b)~~(12) of the Treasury Regulations, and

(3) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(g) to otherwise restrict the use of the proceeds of the Bonds or **amounts** treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance **refundings**); and

(h) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

For purposes of the foregoing (a) and (b), the Board understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds.) It is the **understanding** of the Board that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify, or expand provisions of the Code, as **applicable** to the Bonds, the Board will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally-recognized bond counsel, will not adversely affect the exemption **from** federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are **hereafter** promulgated which impose additional requirements which are applicable to the Bonds, the Board agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally-recognized bond counsel, to preserve the exemption **from** federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the Board hereby authorizes and directs the Board Representative to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the Board, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

In order to facilitate compliance with the above covenant (h), a "Rebate Fund" is hereby established by the Board for the sole benefit of the United States of America, and such Fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

Section 13. **THIRD SUPPLEMENT TO CONSTITUTE A CONTRACT; EQUAL SECURITY.** In consideration of the acceptance of the Bonds, the issuance of which is authorized hereunder, by those who shall hold the same **from** time to time, this Third Supplement shall be deemed to be and shall constitute a contract between the Board and the Holders from time to time of the Bonds and the pledge made in this Third Supplement by the Board and the covenants and agreements set forth in this Third Supplement to be performed by the Board shall be for the equal and proportionate benefit, security, and protection of all Holders, without preference, priority, or distinction as to security or otherwise of any of the Bonds authorized hereunder over any of the

others by reason of time of issuance, sale, or maturity thereof or otherwise for any cause whatsoever, except as expressly provided in or permitted by this Third Supplement.

Section 14. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements, or provisions shall be null and void and shall be deemed separable **from** the remaining covenants, agreements, or provisions and shall in no way **affect** the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 15. PAYMENT AND PERFORMANCE ON BUSINESS DAYS. Except as provided to the contrary in the Form of Bonds, whenever under the terms of this Third Supplement or the Bonds, the performance date of any provision hereof or thereof, including the payment of principal of or interest on the Bonds, shall occur on a day other than a Business Day, then the performance thereof, including the payment of principal of and interest on the Bonds, need not be made on such day but may be performed or paid, as the case may be, on the next succeeding Business Day with the same force and effect as if made on the date of performance or payment.

Section 16. LIMITATION OF BENEFITS WITH RESPECT TO THE THIRD SUPPLEMENT. With the exception of the rights or benefits herein expressly conferred, nothing expressed or contained herein or implied **from** the provisions of this Third Supplement or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Holders, the Paying Agent, and the Registrar, any legal or equitable right, remedy, or claim under or by reason of or in respect to this Third Supplement or any covenant, condition, stipulation, promise, agreement, or provision herein contained. This Third Supplement and all of the covenants, conditions, stipulations, promises, agreements, and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Holders, the Paying Agent, and the Registrar as herein and therein provided.

Section 17. CUSTODY, APPROVAL, BOND COUNSEL'S OPINION, CUSIP NUMBERS, PREAMBLE AND INSURANCE. The Board Representative is hereby authorized to have control of each Series of Bonds issued hereunder and all necessary records and proceedings pertaining to such Series of Bonds pending their delivery and approval by the Attorney General of the State of Texas and registration by the Comptroller of Public Accounts and to cause an appropriate legend reflecting such approval and registration to appear on the Bonds of such Series and the substitute Bonds of such Series. The approving legal opinion of the Board's Bond Counsel and the assigned CUSIP numbers may, at the option of the Board Representative, be printed on the Bonds and on any Bonds issued and delivered in exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. The preamble to the Third Supplement is hereby adopted and made a part of this Third Supplement for all purposes. If insurance is obtained on any of the Bonds, the Bonds shall bear, as appropriate and applicable, a legend concerning insurance as provided by the Insurer.

Section 18. REFUNDING OF REFUNDED OBLIGATIONS; ESCROW AGREEMENTS. That concurrently with the respective deliveries of each Series of Bonds issued to refund **Refunded** Obligations where the Series of Bonds is to be delivered prior to the maturity date or redemption date of the Refunded Obligations being refunded with the proceeds of that Series of Bonds, the Board Representative shall cause to be deposited an amount **from** the proceeds **from** the sale of the respective Series of Bonds with Bankers Trust Company as Escrow Agent, sufficient to provide for the refunding of the respective Refunded Obligations in accordance with Section 7A of Vernon's Ann. Tex. Civ. St. Article 717k, as amended. That concurrently with the delivery of each Series of Bonds issued to refund Refunded Obligations which are to mature or be redeemed on the date of delivery of that Series of Bonds, the Board Representative shall cause to be deposited an amount **from** the proceeds **from** the sale of that Series of Bonds with the Paying Agent sufficient to provide for the payment or redemption of such **Refunded** Obligations on such date. The Board Representative is hereby authorized, for and on behalf of the Board, to execute appropriate Escrow Agreements to accomplish such purposes, in substantially the form and substance submitted to the Board at the meeting at which this Third Supplement is adopted.

Section 19. REDEMPTION OF REFUNDED BONDS. The Board hereby determines that the Refunded Pan American Bonds shall be called for redemption on the dates and at the redemption prices determined by the Board Representative in accordance with the provisions of the resolution authorizing their issuance. The Board Representative shall take such actions as are necessary to cause the required notice of such redemptions to be given.

Section 20. FURTHER PROCEDURES; OFFICIAL STATEMENT. The Executive Committee, each member of the Executive Committee, the Board Representative, 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 corporate 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 Third Supplement, the Bonds, the Escrow Agreements, the redemption prior to maturity of the Refunded Obligations, the sale and delivery of such Series of Bonds and fixing all details in connection therewith any Bond Purchase Contract entered into in connection with any Series of Bonds, and to approve any Official Statement, or supplements thereto, in connection with any Series of Bonds. The **draft** Preliminary **Official** Statement relating to the initial Series of Bonds submitted to the Board at the meeting at which this Third Supplement is adopted is hereby approved and the Board Representative is authorized to approve any changes to said document and to authorize its distribution by the Underwriter to prospective purchasers of that Series of Bonds. In case any officer whose signature shall appear on the Bonds shall cease to be such officer before the delivery of the Bonds, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery.

Section 21. DTC LETTER OF REPRESENTATION. The Board Representative is authorized and directed to enter into a Letter of Representation with DTC with respect to each Series of Bonds to implement the Book-Entry Only System of Bond Registration.

Section 22. REPEAL OF CONFLICTING RESOLUTIONS. All resolutions and **all** parts of any resolutions which are in conflict or inconsistent with this Third Supplement are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

Section **23**. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Third Supplement was adopted; that this Third Supplement would be introduced and considered for adoption at said meeting; that said meeting was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 55 1, Texas Government Code.

ADOPTED AND APPROVED this _____

Chairman, Board of Regents of
The University of Texas System

ATTEST:

Executive Secretary, Board of Regents of
The University of Texas System

EXHIBIT A DEFINITIONS

As used in this Third Supplement the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term “Acts” shall mean, collectively, Articles 717k and 717q, V.A.T.C.S., as amended, and Chapter 55, Texas Education Code, as amended.

The term “Authorized Denominations” shall mean Authorized Denominations as defined in Section 2 of this Third Supplement.

The terms “Board” and “Issuer” shall mean the Board of Regents of The University of Texas System or any successor thereto.

The term “Board Representative” shall mean one or more of the following officers or employees of The University of Texas System, to wit: the Chancellor, the Executive Vice Chancellor for Business Affairs, the Assistant Vice Chancellor for Finance, and the Director of Finance, or such other officer or employee of The University of Texas System authorized by the Board to act as a Board Representative.

The term “Board Representative’s Certificate” shall mean the **certificate** executed by the Board Representative in connection with each Series of Bonds which establishes the terms of the Series of Bonds pursuant to Section 3 of this Third Supplement.

The term “Bonds” shall mean collectively each Series of Bonds issued pursuant to this Third Supplement, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Third Supplement; and the term “Bond” means any of the Bonds.

The term “Bond Purchase Contract” shall mean the agreement to purchase one or more of the Series of Bonds authorized by this Third Supplement.

The term “Business Day” shall mean any day which is not a Saturday, Sunday, legal holiday, or a day on which banking institutions in The City of New York, New York or in the city where the principal corporate trust office of the Paying Agent is located are authorized by law or executive order to close.

The term “Capital Appreciation Bonds” shall mean the Bonds of each Series of the Bonds on which no interest is paid prior to maturity, maturing variously in each of the years and in the aggregate principal amount as set forth in the Bond Purchase Contract.

The term “Code” means the Internal Revenue Code of 1986, as amended.

The term “Compounded Amount” shall mean, with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with Section 4 of this Third Supplement and the Compounded Amount Table relating to such Bonds.

The term “Compounded Amount Table” shall mean, with respect to the Capital Appreciation Bonds of a Series of Bonds, the table attached as an Exhibit to the Bond Purchase Contract relating to such Series of Bonds which shows the Compounded Amounts per \$5,000 Maturity Amount on the Compounding Dates for each maturity to its Stated Maturity.

The term “Compounding Dates” shall mean Compounding Dates as defined in Section 4 of this Third Supplement.

The term “Current Interest Bonds” shall mean the Bonds of each Series of the Bonds paying current interest and maturing in each of the years and in the aggregate principal amounts set forth in the Bond Purchase Contract.

The term “DTC” shall mean The Depository Trust Company, New York, New York, or any successor securities depository.

The term “DTC Participant” shall mean 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.

The term “Initial Series Improvements” shall mean the following improvements or facilities which are to be financed in whole or in part with the proceeds of the initial Series of Bonds:

<u>Projects authorized by HG2058</u>	<u>Notes to be Refunded</u>	<u>New Money</u>	<u>Total</u>
Brownsville-Science & Engineering Bldg	2,675,000	5,000,000	7,675,000
El Paso-Old Main Renovation	1,989,000		1,989,000
El Paso-Faculty Office Bldg	600,000		600,000
Pan American-Engineering Bldg	4,100,000	7,800,000	11,900,000
San Antonio-Academic Bldg	6,200,000	8,400,000	14,699,000
San Antonio-Engineering Biotechnology Bldg	3,100,000	1,878,000	4,978,000
San Antonio-Downtown Facility	3,970,000	1,125,000	5,095,000
HSC-San Antonio School of Nursing Addition	2,812,000	3,188,000	6,000,000
El Paso-Physical Science Bldg Renovation	2,645,000		2,645,000
HSC-San Antonio Allied/Public Health Research Bldg	1,310,000	2,915,000	4,225,000
Austin-Telescope	1,116,000		1,116,000
El Paso-New Classroom & Liberal Arts Bldg	1,370,000	4,861,000	6,231,000
Pan American-Thermal Energy Plant	2,946,000		2,946,000
	<u>34,833,000</u>	<u>35,167,000</u>	<u>70,000,000</u>

The term "Issuance Date" shall mean the date of delivery of each Series of Bonds to the initial purchaser or purchasers thereof against payment therefor.

The term "Master Resolution" shall mean the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, as amended on October 8, 1993.

The term "Maturity" shall mean the date on which the principal of a Bond becomes due and payable as therein and herein provided, whether at Stated Maturity, by redemption, declaration of acceleration, or otherwise.

The term "Maturity Amount" shall mean the Compounded Amount of a Capital Appreciation Bond due on its Stated Maturity.

The term "Paying Agent" shall mean the paying agent appointed pursuant to Section 5 of this Third Supplement, or any successor to such agent.

The term "Purchasers" shall mean the winning bidders for any Series of Bonds sold on a competitive basis pursuant to Section 3 of this Third Supplement.

The term "Record Date" shall mean, with respect to the Bonds, the last calendar day of each month preceding an interest payment date.

The term "Refunded Obligations" shall mean, collectively, the Board of Regents of The University System Revenue Financing Commercial Paper Notes, Series A to be refunded with the proceeds of the Bonds pursuant to Section 2 of this Third Supplement and the Board of Regents of the Pan American University Tuition Revenue Refunding Bonds, Series 1986.

The term "Registrar" shall mean the registrar appointed pursuant to Section 5 of this Third Supplement, or any successor to such registrar.

The term "Registration Books" shall mean the books or records relating to the registration, payment, and transfer or exchange of the Bonds maintained by the Registrar pursuant to Section 5 of this Third Supplement.

The term "Third Supplement" shall mean this Third Supplement Resolution to the Master Resolution authorizing the Bonds.

The term "Stated Maturity", shall mean, when used with respect to the Bonds, the scheduled maturity or mandatory sinking fund redemption of the Bonds.

The term "Underwriter" shall mean the underwriters designated pursuant to Section 3 of this Third Supplement for each Series of Bonds sold pursuant to a negotiated sale.

EXHIBIT B
FORM OF BONDS

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM BONDS
SERIES 199 . .

[FORM OF FIRST TWO PARAGRAPHS OF CURRENT INTEREST BONDS)

NO. R- _____ PRINCIPAL
AMOUNT
\$ _____

INTEREST RATE MATURITY DATE BOND DATE CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE MATURITY DATE **specified** above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner **specified** above or the registered assignee hereof (either being **hereinafter** called the "registered owner") the principal amount specified above and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve **30**-day months, **from** the Bond 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 _____ 199, and **semi-annually** on each _____ and _____ thereafter, except that if the date of authentication of this Bond is later **than the first Record Date** (hereinafter defined), 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 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, solely **from funds** of the Issuer required by the resolution authorizing the issuance of the Bonds to be on deposit with the Paying Agent for such purpose as hereinafter provided. 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 of _____, which is the "Paying Agent" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, and such check shall be sent by the Paying Agent 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 last day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Registrar, as hereinafter described; provided, that upon the written request of any owner of not less than **\$1,000,000** in principal amount of Bonds provided to the Paying Agent not later than the Record Date immediately **preceding** an interest payment date, interest due on such interest payment date shall be made by wire transfer to any designated account within the United States of America. In addition, interest may be paid by such other method acceptable to the Paying Agent, 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 upon presentation and surrender of this Bond for redemption and payment at the principal office of the Paying Agent. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent, 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 Issuer and the securities depository. **Terms used** herein and not otherwise **defined** have the meaning given in the Bond Resolution.

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
REVENUE FINANCING SYSTEM BONDS
SERIES 199_ . _

[FORM OF FIRST TWO PARAGRAPHS OF CAPITAL APPRECIATION BONDS]

NO. CR- _____ MATURITY AMOUNT
\$ _____

INTEREST RATE MATURITY DATE ISSUANCE DATE CUSIP NO.

REGISTERED OWNER: _____

PRINCIPAL AMOUNT: _____ DOLLARS

ON THE MATURITY DATE specified above, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above or the registered assignee **hereof** (either being **hereinafter** called the "registered owner") the Maturity Amount specified above representing the original principal amount specified above and accrued and compounded interest thereon. Interest shall accrue on the original principal amount hereof from the Issuance Date at the interest rate per annum specified above (subject to rounding to the Compounded Amounts as provided in the Bond Resolution), compounded semi-annually on _____ and _____ of each year, commencing _____, 199_. For convenience of reference, **a table** appears on the back of this Bond showing the "Compounded Amount" of the original principal amount per \$5,000 Maturity Amount compounded semiannually at the yield shown on such table.

THE MATURITY AMOUNT OF this Bond is payable in **lawful** money of the United States of America, without exchange or collection charges, solely **from funds** of the Issuer required by the Bond Resolution to be on deposit with the Paying Agent for such purpose as hereinafter provided. The Maturity Amount or Compounded Amount 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, as the case may be, at the principal office of _____, which is the "Paying Agent" for this Bond. The Issuer covenants with the registered owner of this Bond that on or before the Maturity Date for this Bond it will make available to the Paying Agent, the amount required to provide for the

payment, in immediately available **funds**, of the Maturity Amount 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 Issuer and the securities depository. Terms used herein and not otherwise defined have the meaning given in the Bond Resolution.

**[FORM OF REMAINDER OF CURRENT INTEREST BONDS
AND CAPITAL APPRECIATION BONDS]**

This Bond is one of a Series of bonds authorized in the aggregate principal amount of \$ _____ pursuant to a Third Supplemental Resolution to the Master Resolution adopted _____, 1995, and pursuant to the Master Resolution referred therein (collectively, the "Bond Resolution") for the purpose of (i) refunding the _____ (ii) acquiring, purchasing, constructing, improving, enlarging, and equipping the U. T. System Improvements for certain Members of the Revenue Financing System, and (iii) paying the costs related thereto, [and comprised of (i) Bonds in the aggregate principal amount of \$ _____ that pay interest only at maturity (the "Capital Appreciation Bonds") and (ii) Bonds in the aggregate principal amount of \$ _____ that pay interest semiannually until maturity (the "Current Interest Bonds").]

ON _____, _____, or on any date thereafter, the Bonds of this Series scheduled to mature on _____ in **each of the** years _____ through _____ and on _____, _____, may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, **if in** part, the particular Bonds, or portion thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of **\$5,000**), at a redemption price equal to _____ and 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 Issuer and the securities depository.

The Bonds of this issue scheduled to mature on _____, _____, are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Issuer, in part, prior to their scheduled maturity, with the particular Bonds or portions thereof to be redeemed to be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of **\$5,000**), at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the dates, and in the principal amounts, respectively, as set forth in the following schedule:

<u>Bonds Maturing</u> _____	
<u>Redemption Date</u> _____	<u>principal 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 Issuer, 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 Issuer and delivered to the Paying Agent for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent at the direction of the Issuer, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds, or (3) 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 Issuer 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 and 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 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; 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 for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. 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 which 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 the redemption price from the Paying Agent 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, payable in the same manner, in any authorized denomination 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 Issuer, all as provided in the Bond Resolution.

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 of New York, New York, or in the city where the principal office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which 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 OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and **shall** be transferred only in the Registration Books of the Issuer kept by the Paying Agent and the 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 Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are 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 Registrar in exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the exchange of other Bonds. The Issuer shall pay the Paying Agent's and the Registrar's fees and charges, if any, for making such transfer or exchange as provided below, but the one requesting such transfer or exchange shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent and the Registrar shall not be required to **make** transfers of registration or exchange of this Bond or any portion hereof(i) [with respect to Current Interest Bonds,] 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. The registered owner of this Bond shall be deemed and treated by the Issuer, the Paying Agent and the 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, to the extent **permitted** by law, the Issuer, the Paying Agent and the 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, [with respect to Current Interest Bonds,] in the denomination of any integral multiple of \$5,000, [and with respect to Capital Appreciation Bonds, in the denomination of \$5,000 Maturity Amounts 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 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, in the same form, and bearing interest at the same rate, in any authorized denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution.

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 or Registrar for the Bonds is changed by the Issuer, resigns, or otherwise ceases to act as such, the Issuer 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; that the Series of Bonds of which this Bond is one constitute Parity Debt under the Master Resolution; and that the interest on and principal of this Bond, together with the other Bonds of this Series and the other outstanding **Parity Debt** are equally and ratably secured by and payable **from** a lien on and pledge of the Pledged Revenues, subject only to the provisions of the Prior Encumbered Obligations.

THE ISSUER has **reserved** the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional Parity Debt which also may be secured by and made payable **from** a lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the provisions of the Bond Resolution under the conditions provided in the Bond Resolution.

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

IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed with the manual or facsimile signature of the Chairman of the Issuer and countersigned with the manual or

facsimile signature of the Executive **Secretary** of the Issuer, and has caused the **official seal** of the Issuer to be duly impressed, or placed in facsimile, on this Bond.

Executive Secretary, Board of Regents
of The University of Texas System

Chairman, Board of Regents
of The University of Texas System

(BOARD SEAL)

FORM OF PAYING AGENTS AUTHENTICATION CERTIFICATE

PAYING AGENTS 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 this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

(NAME)
Paying Agent

Dated

Authorized Representative

FORM OF ASSIGNMENT:

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 Registrar's Registration Books with **full** power of substitution in the premises.

Dated: _____

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.

**[FORM OF REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS TO BE USED IF
THE BONDS ARE TO BE SO REGISTERED]**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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 been registered by the Comptroller of Public Accounts of the State of Texas.

Witness my signature and seal this

Comptroller of Public Accounts
of the State of Texas

(COMPTROLLER'S SEAL)

Provisions of Bonds related to redemption are to be deleted if the Series of Bonds is not subject to redemption. Bracketed information relates to Capital Appreciation Bonds and its use will depend on whether any **Bonds** of a Series are Capital Appreciation Bonds.

NEW ISSUE-BOOK-ENTRY ONLY

RATINGS: (See "RATINGS")

Delivery of the Bonds is subject to the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, that under statutes, regulations, published rulings and court decisions existing on the date thereof, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds will not be private activity bonds the interest on which would be included as an alternative minimum tax preference item under section 513(a)(5) of the Internal Revenue Code of 1986. See "TAX EXEMPTION" for a discussion of certain collateral federal tax consequences, including the alternative minimum tax on corporations.

\$75,000,000*
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
Revenue Financing System Bonds (SEAL)
Series 1995A

Dated: _____ 1995

Due: August 15, as shown below

The Bonds (the "Bonds") are special obligations of the Board of Regents (the "Board") of The University of Texas System (the "University System"), payable from and secured by a lien on "Pledged Revenues" (as defined herein) of the University System's Revenue Financing System on a parity with the Board's outstanding "Parity Debt" (as defined herein). The Bonds are issued pursuant to a Master Resolution of the Board which established the Revenue Financing System and a Supplemental Resolution of the Board which provides for issuance of the Bonds. **THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES.** See "DESCRIPTION OF THE BONDS-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 of providing funds to pay the cost of improvements at certain component institutions of the University System. See "PLAN OF FINANCING."

Interest on the Bonds will accrue from _____, 1995, and is payable on August 15 and February 15 of each year, commencing February 15, 1996, calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds are issuable only as fully registered bonds, without coupons, and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which initially will act as securities depository for all of the Bonds pursuant to a book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates except as described herein. For so long as Cede & Co., as nominee of DTC, is the exclusive registered owner of the Bonds, principal of and redemption premium, if any, and interest on the Bonds will be payable by the Paying Agent, initially the Treasurer of the State of Texas, to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid 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."

MATURITY SCHEDULE

<u>Maturity</u> <u>(August 15)</u>	<u>\$</u> _____ <u>Amount</u>	<u>* Serial Bonds</u> <u>Rate</u>	<u>Price or</u> <u>Yield</u>
---------------------------------------	----------------------------------	--------------------------------------	---------------------------------

\$ _____ * Term Bond
_____ % Bonds, due August 15, _____, Price _____ %
(plus accrued interest)

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Vinson & Elkins L.L.P., Austin, Texas, and for the University System by Lannen & Oliver, P.C., Dallas, Texas. The Bonds are expected to be available for delivery on or about August __, 1995, in New York, New York.

Dated: _____, 1995

*Preliminary, subject to change.

BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

OFFICERS

Bernard Rapoport, Chairman
Thomas O. Hicks, Vice-Chairman
Martha E. Smiley, Vice Chairman
Arthur H. Dilly, Executive Secretary

MEMBERS

Terms Expire February 1, 1997

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

Terms Expire February 1, 1999

Thomas O. Hicks	Dallas
Lowell H. Lebermann, Jr.	Austin
Martha E. Smiley	Austin

Terms Expire February 1, 2001

Linnet F. Deily	Houston
Donald L. Evans	Midland
Tom Loeffler	San Antonio

SYSTEM ADMINISTRATION

Dr. William H. Cunningham, Chancellor
 Dr. James P. Duncan, Executive Vice Chancellor for Academic Affairs
 Charles B. **Mullins**, M.D., Executive Vice Chancellor for Health Affairs
 R. D. **Burck**, Executive Vice Chancellor for Business Affairs
 Thomas G. Ricks, Vice Chancellor for Asset Management
 Ray Farabee, Vice Chancellor and General Counsel
 Michael **Millsap**, Vice Chancellor for Governmental Relations
 Shirley Bird Perry, Vice Chancellor for Development and External Relations
 John A. Roan, Assistant Vice Chancellor for Finance

CHIEF ADMINISTRATIVE OFFICERS OF
UNIVERSITY SYSTEM COMPONENT INSTITUTIONS

Dr. Robert E. Witt, Interim President, The University of Texas at Arlington
 Dr. Robert M. Berdahl, President, The University of Texas at Austin
 Dr. Juliet V. Garcia, President, The University of Texas at Brownsville
 Dr. Franklyn G. Jenifer, President, The University of Texas at Dallas
 Dr. Diana S. Natalicio, President, The University of Texas at El Paso
 Dr. Miguel A. **Nevárez**, President, The University of Texas-Pan American
 Dr. Charles A. Sorber, President, The University of Texas of the Permian Basin
 Dr. Samuel A. Kirkpatrick, President, The University of Texas at San Antonio
 Dr. George F. Hamm, President, The University of Texas at Tyler
 Kern Wildenthal, M.D., Ph.D., President, The University of Texas Southwestern Medical Center at Dallas
 Thomas N. James, M.D., President, The University of Texas Medical Branch at Galveston
 M. David Low, M.D., Ph.D., President, The University of Texas Health Science Center at Houston
 John P. Howe III, M.D., President, The University of Texas Health Science Center at San Antonio
 Charles A. **LeMaistre**, M.D., President, The University of Texas
 M.D. Anderson Cancer Center at Houston
 George A. Hurst, M.D., Director, The University of Texas Health Center at Tyler

No dealer, broker, salesman or other person has been authorized by the Board or the Underwriters to give any information or to make any representations other than those contained in this 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. 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 prices, including sales to dealers who may sell the Bonds into investment accounts. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds 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 or other matters described herein since the date hereof..

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT 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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\$75,000,000'

**BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM**

**Revenue Financing System Bonds
Series 1995A**

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of Regents of The University of Texas System (the "Board") of its Revenue Financing System Bonds, Series 1995A (the "Bonds"), in the aggregate principal amount set forth above.

The University of Texas System (the "University System") currently consists of The University of Texas at Austin and the fourteen other state-supported institutions included in the University System by operation of State law. For the 1994 Fall Semester, the University System had total enrollment of 146,670 students. See "GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM." The University of Texas System Revenue Financing System (the "Revenue Financing System") was established by the Master Resolution of the Board for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of University System components included as Members of the Revenue Financing System. See "APPENDIX B, SUMMARY OF THE MASTER RESOLUTION." All of the institutions currently constituting University System components have been included as Members of the Revenue Financing System. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM." Pursuant to the Master Resolution, the Board has, with certain exceptions, combined all revenues, funds and balances attributable to any Member of the Revenue Financing System that may lawfully be pledged to secure the payment of revenue-supported debt obligations and pledged those sources as Pledged Revenues to secure payment of all revenue-supported debt obligations of the Board incurred as Parity Debt under the Master Resolution. The Board has covenanted that it will not incur any additional debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. See "APPENDIX B, SUMMARY OF THE MASTER RESOLUTION." The Board intends to issue most of its revenue-supported debt obligations that benefit components of the University System as Parity Debt under the Master Resolution.

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the Revenue Financing System, the Board, the University System, the Master Resolution and the Supplemental Resolution, among other things. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to complete copies of such documents, which may be obtained from the Office of Finance of The University of Texas System, 201 West 7th Street, Austin, Texas 78701. Unless **otherwise** defined herein, capitalized terms used in this Official Statement have the meanings assigned to such terms in "APPENDIX A, GLOSSARY OF TERMS."

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds are being issued in accordance with the general laws of the State of Texas, including particularly Chapter 55, Texas Education Code, and Articles 717k and 717q, Vernon's Annotated Texas Civil Statutes, as amended. The Bonds are issued as Parity Debt pursuant to the Master Resolution and a Third Supplemental Resolution to the Master Resolution (also referred to herein as the "Supplemental Resolution") adopted by the Board on May 11, 1995, authorizing the issuance of several series of bonds in the aggregate maximum principal amount of \$232,000,000. The Bonds constitute the first installment to be issued under the Supplemental Resolution. In 1991, the Board issued its Revenue Financing System Refunding Bonds, Series 1991A, 1991B and 1991C, which are currently outstanding in the aggregate

'Preliminary, subject to change.

principal amount of \$241,775,000, as Parity Debt pursuant to a Second Supplemental Resolution to the Master Resolution. In addition, the Board has previously authorized a commercial paper program pursuant to which Parity Debt in the form of commercial paper notes may be issued, from time to time, under the Master Resolution; provided, that the aggregate principal amount of such notes at any time outstanding is limited by the Board's authorization to \$250,000,000. A portion of the currently outstanding Parity Debt issued under the commercial paper program will be refunded by the Bonds. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY SYSTEM OF TEXAS-Debt Management and Anticipated Financing-Financing Programs-Revenue Financing System,"

Purpose for Issuance of Bonds

The Bonds are being issued for the purpose of (i) currently refunding certain Parity Debt obligations issued by the Board pursuant to the Board's Revenue Financing System Commercial Paper Notes, Series A, in the aggregate principal amount of \$34,833,000 (the "Refunded Notes"), (ii) financing the cost of improvements at certain Members of the Revenue Financing System, and (iii) refunding all of the outstanding Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986 (the "Refunded Bonds" and together with the Refunded Notes, the "Refunded Obligations").

Refunded Obligations

The Refunded Obligations and interest due thereon are to be paid on the scheduled interest payment and maturity dates, or upon earlier redemption thereof in the case of the Refunded Bonds, from funds to be deposited with Bankers Trust Company, as escrow agent (the "Escrow Agent"), pursuant to an escrow agreement (the "Escrow Agreement") between the Board and the Escrow Agent.

The Supplemental Resolution provides that, concurrently with delivery of the Bonds, proceeds from the sale of the Bonds, together with other available funds, if any, will be deposited with the Escrow Agent into a separate escrow fund (the "Escrow Fund") to pay the principal of and interest on the Refunded Obligations. The amounts deposited into the Escrow Fund will be in the form of cash and noncallable, nonprepayable, direct obligations of the United States of America (the "Federal Securities") and will be sufficient to provide for payment of the principal of and redemption premium, if any, and interest on the Refunded Obligations when due. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. The Escrow Fund will not be available to pay principal of and interest on the Bonds.

Issuance of the Bonds will be subject to delivery by KPMG Peat Mar-wick, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to (a) 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 Obligations and (b) 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 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 opinion described herein.

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent, the Board will have effected the defeasance of the Refunded Obligations in accordance with applicable laws and the terms of the authorizing documents pursuant to which the Refunded Obligations were issued. It is the opinion of Bond Counsel that, as a result of such **defeasance**, the Refunded Obligations will be regarded as being outstanding only for the purpose of receiving payment from proceeds of the Federal Securities and cash held for such purpose in the Escrow Fund and will no longer be payable from or secured by a lien on any portion of the Pledged Revenues.

SOURCES AND APPLICATIONS OF FUNDS

The proceeds from the sale of the Bonds will be applied as follows:

Sources of Funds

Par Amount of Bonds	\$ _____
Net Original Issue Premium	_____
System Contribution	_____
 Total Sources of Funds	 \$ <u> </u>

Applications of Funds

Escrow Fund	\$ _____
Project Costs	\$ _____
Underwriters' Discount and Other Costs of Issuance	\$ _____
 Total Uses of Funds	 \$ <u> </u>

DESCRIPTION OF THE BONDS

General

The Bonds will be dated 1995 and will bear interest from the later of such **date** or the most recent interest payment **date** to which interest has been paid or duly provided for at the rates shown on the cover page of this Official Statement calculated on the basis of a 360-day year composed of twelve 30-day months. Interest on the Bonds is payable August 15 and February 15 of each year, commencing February 15, 1996. Principal of and redemption premium, if any, and interest on the Bonds are payable by the Paying Agent for the Bonds, initially the Treasurer of the State of Texas, at the times and places and in the manner specified on the cover page of this Official Statement.

The Bonds are initially issuable in book-entry only form. Initially, Cede & Co., as nominee of DTC (hereinafter defined), 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." The initial Registrar for the Bonds will be the Board.

In the event that the date for payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions located in The City of New York, New York or in the city where the principal office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are so 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.

If any Bond is not presented for payment when the principal or the redemption price therefor becomes **due**, or any check representing payment of interest on Bonds is not presented for payment, and if money sufficient to pay such Bond (or the portion thereof called for redemption) or such interest, as is applicable, has been deposited under the Supplemental Resolution, all liability of the Board to the owner thereof for the payment of such Bonds (or portion thereof) or such interest, as **applicable**, will be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such money, without liability for interest thereupon, for the benefit of the owner of the applicable Bond, who will thereafter be restricted exclusively to such money, for any claim on his part under the Supplemental Resolution or on or with respect to, such principal, redemption price and/or interest. Money not claimed within two years will, upon request of the Board, be repaid to the Board.

Redemption

Optional Redemption. The Bonds scheduled to mature on and after August 15, ___ are subject to redemption prior to maturity at the option of the Board on August 15, ___ or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if in part, the particular Bonds or portions thereof to be redeemed shall be **selected** by the Board) at a price of par plus accrued interest to the redemption date, plus a premium of __%, reducing by __% on August 15 of each year until reaching par on August 15, ___; provided, that **during** any period in which DTC is serving as 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 to be redeemed shall be selected by lot by DTC and in turn by the DTC Participants (hereinafter defined). See "DESCRIPTION OF THE BONDS-Book-Entry Only System."

Mandatory Sinking Fund Redemption. The Bonds maturing on August 15, ___ and are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates at a price of par plus accrued interest to the redemption date:

Bonds Maturing August 15, ___

<u>Redemption Date</u>	<u>Principal Amount</u>
<u>August 15</u>	

The sinking fund requirements for any Bonds **are subject to** reduction, at the option of the Board, with respect to (a) Bonds of such maturity previously called for redemption, and (b) Bonds of such maturity previously acquired by or at the direction of the Board for cancellation, as provided in the Supplemental Resolution.

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**, in accordance with the Supplemental Resolution. Additional notice will be sent by the 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 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 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 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 series, the dates of issue, 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 and the address at which the Bonds may be redeemed including a contact person and telephone number.

The Paving Agent and the Registrar

In the Supplemental Resolution, the Board reserves the right to replace the Paying Agent and the Registrar. The Board covenants to maintain and provide a Paying Agent and a Registrar at all times while the Bonds are outstanding, and any successor Paying Agent or Registrar shall be a competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent or Registrar should resign or otherwise cease to act as such, the Board covenants promptly to appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent or Registrar, as applicable. Upon any change in the Paying Agent or the Registrar for the Bonds, the Board agrees 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 or the new Registrar, as applicable.

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 securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered bond will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, 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 securities 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 certificates. 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 interest 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 the 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 the Bonds within 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 the 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 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 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 customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, the 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, 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.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Board. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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 concerning DTC and the book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Board.

In reading this Official Statement it should be understood that while the Bonds are in the book-entry only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the book-entry system, and (ii) except as described above, notices that are to be given to registered owners under the Master Resolution and Supplemental Resolution will be given only to DTC.

Effect of Termination of Book-Entry Only System. In the event that the book-entry only system is discontinued by DTC or the Board, the following provisions will be applicable to the Bonds: Bonds may be exchanged for an equal aggregate principal amount of Bonds in authorized denominations and of the same maturity upon surrender thereof at the principal office of the Registrar with a duly executed assignment in form satisfactory to the Registrar. The transfer of any Bond may be registered on the books maintained by the Registrar for such purpose only upon the surrender of such Bond to the Registrar with a duly executed assignment in form satisfactory to the Registrar. For every exchange or transfer of registration of Bonds, the Registrar (and the Board, if at the time of such exchange or transfer the Board is not then acting as the Registrar) may make a charge sufficient to reimburse them for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Board shall pay the fee, if any, charged by the Registrar for the transfer or exchange. The Registrar will not be required to transfer or exchange any Bond after its selection for redemption. The Board and the 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.

Security for the Bonds

The Bonds are Parity Debt under the Master Resolution and constitute special obligations of the Board payable from and secured by a lien on and pledge of Pledged Revenues, subject only to the provisions of the Prior Encumbered Obligations. The Master Resolution provides that the obligation of

the Board to pay or cause to be paid the amounts payable under the Master Resolution and any supplement thereto is absolute, irrevocable, complete and unconditional, and the amount, manner and time of payment shall not be modified in any way regardless of any contingency. THE BOARD HAS NO TAXING POWER, AND NEITHER THE FULL FAITH AND CREDIT NOR **THE TAXING** POWER OF THE STATE OR ANY AGENCY OR POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE BONDS. THE OWNERS OF THE BONDS. SHALL NEVER HAVE THE RIGHT TO DEMAND PAYMENT OF THE BONDS FROM ANY SOURCE OTHER THAN PLEDGED REVENUES. See "APPENDIX B, SUMMARY OF THE MASTER RESOLUTION."

Supplemental Resolution

The issuance, sale and delivery of the Bonds are authorized by the Supplemental Resolution. The Supplemental Resolution also contains the written determination by the Board, as required by the Master Resolution as a condition to the issuance of Parity Debt, that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf the Bonds are issued possess the financial capacity to satisfy their Direct Obligations after taking the Bonds into account.

The Supplemental Resolution permits amendment, without the consent of the Bondholders, for the same purposes for which amendment may be made to the Master Resolution without the consent of the owners of outstanding Parity Debt. See "APPENDIX B, SUMMARY OF THE MASTER RESOLUTION-Amendments of Master Resolution." The Supplemental Resolution also permits amendment, with the consent of the owners of 51% in aggregate principal amount of the outstanding Bonds, other than amendments which: change the maturity of the outstanding Bonds; reduce the rate of interest borne by the Bonds; reduce the amount of principal payable on the Bonds; modify the payment of principal or interest on the outstanding Bonds, or impose any conditions with respect to such payment; affect the rights of the owners of less than all Bonds then outstanding; or change the minimum percentage of outstanding principal amount of Bonds necessary for consent to an amendment.

DESCRIPTION OF THE REVENUE FINANCING SYSTEM

The Board adopted the Master Resolution for the purpose of assembling the University System's revenue-supported debt capacity into a single financing program in order to provide a cost-effective debt program to component institutions of the University System and to maximize the financing options available to the Board. The Master Resolution provides for the establishment of the Revenue Financing System and permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein. See "APPENDIX B, SUMMARY OF THE MASTER RESOLUTION-Changes in Membership of the Revenue Financing System."

Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances-attributable to Members of the Revenue Financing System and lawfully available to secure revenue-supported indebtedness into a system-wide pledge to secure the payment of Parity Debt from time to time issued under the Master Resolution. Pledged Revenues do not include (a) the interest of the University System in the Available University Fund (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Fund Balances-Available University Fund"); (b) amounts appropriated to any Member from the Higher Education Assistance Fund (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financings-Financing **Programs**—Higher Education Assistance Fund (H.E.A.F.) Bonds"); (c) except to the extent so appropriated, general revenue funds appropriated to the Board by the State (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Current Funds-Unrestricted Current Funds Revenues-State Appropriations"); and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances related thereto not included in Pledged Practice Plan Funds.

As shown on the Combined Statement of Current Funds Revenues and Expenditures, included in "APPENDIX C, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," the total unrestricted current funds revenues of the University System for the fiscal year ended August 31,

1994, were \$3,312.7 million, The University System has calculated that at least \$1,024.2 million of the unrestricted current funds revenues for the fiscal year ended August 31, 1994, constituted Pledged Revenues. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Current Funds-Unrestricted Current Funds Revenues." Accumulated fund balances available to the Board and attributable to any Member of the Revenue Financing System also constitute Pledged Revenues to the extent such fund balances are lawfully available to the Board for payments on Parity Debt. The Board has not attempted to calculate the amount of fund balances included in Pledged Revenues.

Pledged Revenues not required to pay debt service on Parity Debt are available to pay other costs of operating the University System. Continued operation of the University System 'at current levels is substantially dependent upon general revenue appropriations. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Current Funds-Unrestricted Current Funds Revenues-State Appropriations."

The Board has covenanted in the Master Resolution that in each fiscal year it will use its reasonable efforts to collect revenues sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year. The Board has also covenanted in the Master Resolution that it will not incur any debt secured by Pledged Revenues unless such debt constitutes Parity Debt or is junior and subordinate to Parity Debt. The Board intends to issue most of its revenue-supported debt obligations which benefit components of the University System as Parity Debt under the Master Resolution.

DEBT SERVICE REQUIREMENTS

The following schedule shows the combined debt service requirements on all Parity Debt outstanding following issuance of the Bonds.

Combined Debt Service Requirements⁽¹⁾

[TO COME]

⁽¹⁾ Does not include debt service on (A) the Board of Regents of The University of Texas System **General Tuition Revenue Refunding** Bonds, Series 1986; the Board of Regents of The University of Texas System **General Tuition Revenue Refunding** Bonds, New Series 1992; The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986; or the Refunded Bonds; or (B) the Parity Debt obligations currently outstanding in the form of Revenue Financing System Commercial Paper Notes, Series A. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financing-Financing Programs-Revenue Financing System."

GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM

Background and History

The University of Texas System was established pursuant to the Texas Constitution of 1876. In 1881, Austin was designated the site of the main academic campus and Galveston as the location of the medical branch. The University of Texas at Austin first opened in 1883, and eight years later, John Sealy Hospital in Galveston (now a part of the University System's Medical Branch at Galveston) established a program for university-trained medical professionals.

In addition to the original academic campus located in Austin, the University System now includes additional academic campuses in El Paso, Dallas, Arlington, San Antonio, the Permian Basin (Odessa), Tyler and the Rio Grande Valley (Brownsville and Edinburg). Health Institutions for medical education and research have expanded beyond the original Galveston medical campus to include the University System's M.D. Anderson Cancer Center (Houston), the Southwestern Medical Center at Dallas, the Health Science Centers at Houston and San Antonio, and the Health Center at Tyler. The fifteen component institutions of the University System have emerged among the nation's premier educational enterprises.

The University System faculty includes six Nobel Prize Laureates, two Pulitzer Prize winners, 33 members of the National Academy of Sciences, 34 members of the National Academy of Engineering, 20 members of the American Academy of Arts and Sciences, 21 members of the American Law Institute and 25 members of the American Academy of Nursing. During fiscal year 1994, the faculty, staff and students of the University System conducted research programs valued at approximately \$731 million. Many of the University System programs in science, engineering, liberal arts and humanities rank among the very best in the country. Library facilities on The University of Texas at Austin campus, long considered among the finest libraries in the world, are available to other component institutions through a sophisticated statewide computerized telecommunications network.

Coordinating Board

The University System is subject to the supervisory powers of the Texas Higher Education Coordinating Board (the "Coordinating Board"). The Coordinating Board is an agency of the State established to promote the efficient use of State resources by providing coordination and leadership for the State's higher education systems, institutions and governing boards. The Coordinating Board is the highest authority in the State in matters of public higher education and prescribes the scope and role of each institution of higher education. The Coordinating Board periodically reviews all degree and certificate programs offered by the State's institutions of higher education and annually reviews the academic courses offered by such institutions. The Coordinating Board also determines space utilization formulas designed to promote the efficient use of construction funds and the development of physical plants to meet projected growth estimates. These space utilization formulas directly impact the allocation of appropriated funds among the State's institutions of higher education. The Coordinating Board must approve all new construction projects for components of the University System, other than construction projects at The University of Texas at Austin financed with the proceeds of Permanent University Fund bonds. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financing-Financing Programs-Permanent University Fund Bonds."

Board of Regents

The Board is the governing body of the University System, and its members are officers of the State, appointed by the Governor with the advice and consent of the State Senate. The nine regents constituting the Board serve without pay and are appointed to staggered six-year terms. The Board members, their cities of residence, and term expirations are listed on page (i) of this Official Statement.

Administration

The University System is managed through administrative officers in the System Administration Office, including the Chancellor, the Executive Vice Chancellors for Academic Affairs, Health Affairs and Business Affairs, and other officers concerned with asset management, legal, governmental relations and public affairs. The chief administrative officers at all of the component institutions report to either

the Executive Vice Chancellor for Academic Affairs or the Executive Vice Chancellor for Health Affairs and meet with their representative Executive Vice Chancellor on a bi-monthly basis in Austin. The Executive Vice Chancellor for Business Affairs and the chief business officers at each component also meet bi-monthly to consider topics of mutual concern.

At each component institution a president, or a director in the case of the Health Center at Tyler, serves as the chief administrative officer. The president prepares biennial budgets for submission to the State Legislature, capital expenditure budgets, reports and requests to the Coordinating Board and conducts the ongoing affairs of his or her institution.

The principal administrative officers of the University System, along with the officers of the University System responsible for investment and finance, are listed below. All of such officers reside in Austin, the headquarters for the University System.

Dr. William H. Cunningham	Chancellor
Dr. James P. Duncan	Executive Vice Chancellor for Academic Affairs
Charles B. Mullins , M.D.	Executive Vice Chancellor for Health Affairs
R.D. Burck	Executive Vice Chancellor for Business Affairs
Thomas G. Ricks	Vice Chancellor for Asset Management
John A. Roan	Assistant Vice Chancellor for Finance

Summary biographical information relating to each of the administrative officers identified above is set forth as follows:

Dr. William H. Cunningham became the Chancellor of the University System on September 1, 1992. Prior to assuming the Chancellorship, he served as President of The University of Texas at Austin for seven years and as Dean of the College and Graduate School of Business Administration for the three preceding years. Dr. Cunningham joined The University of Texas at Austin faculty in January 1971 from Michigan State University, where he earned his B.A., M.B.A., and Ph.D. degrees. He is a nationally known marketing scholar, former editor of the Journal of Marketing and an experienced author having written several books.

Dr. James P. Duncan was named Executive Vice Chancellor for Academic Affairs of the University System in June 1983. Dr. Duncan has received a Bachelor of Arts, a Master of Science, and a Doctorate of Education, all from Indiana University. Dr. Duncan is also a professor of educational administration on the faculty of The University of Texas at Austin. As Executive Vice Chancellor for Academic Affairs, Dr. Duncan is responsible for academic planning, programs, personnel, facilities planning and construction, and budgeting for the academic components of the University System.

Charles B. Mullins, M.D. was named Executive Vice Chancellor for Health Affairs of the University System on September 1, 1981. Dr. **Mullins** received an M.D. in 1958 from The University of Texas Southwestern Medical Center at Dallas. Since that time, Dr. **Mullins** has held the positions of flight surgeon for the United States Air Force, professor of medicine at The University of Texas Southwestern Medical Center at Dallas, Director of Medical Affairs at Parkland Memorial Hospital in Dallas and Chief Executive Officer for Dallas County Hospital District, among others. Dr. **Mullins** has written numerous published medical and administrative reviews, editorials and books.

R.D. Burck was appointed Vice Chancellor for Business Affairs for the University System in 1988 and was promoted in 1992 to Executive Vice Chancellor for Business Affairs. He received his Bachelor of Business Administration degree from The University of Texas in 1955, and attended South Texas Law School, after which he began a **29-year** career with Getty Oil. In 1974, he assumed the duties of diversified operations manager for Getty Oil, and in this role was responsible for managing the company's worldwide holdings in real estate, agriculture, television, forest products, and construction.

Thomas G. Ricks was appointed the Vice Chancellor for Asset Management for the University System in 1992. Prior to becoming Vice Chancellor, he served as Executive Director-Finance and Private Investments of the University System. He is responsible for investment

management of all University System endowment and operating funds aggregating to \$7.2 billion. Before working at the University System, Mr. Ricks was Manager-Finance and Bank Relations of The Superior Oil Company and an International Banking Officer with the Continental Illinois Bank. He is a Certified Public Accountant and received his M.B.A. degree from the University of Chicago in 1977.

John A. Roan joined the University System in 1989 as the Manager of Finance. He was promoted in April 1994 to Assistant Vice Chancellor for Finance. As the Assistant Vice Chancellor for Finance, he oversees the responsibilities of the Office of Finance, the Office of Endowment Real Estate on campus real estate matters, and the Office of Facilities, Planning and Construction. Prior to working at the University System, he established a 20-year career in the banking industry. Mr. Roan earned both his B.B.A. and M.B.A. degrees from The University of Texas at Austin.

Component Institutions

A summary description of the University System's component institutions, which includes nine general academic institutions and six Health Institutions, each of which is a Member of the Revenue Financing System, is set forth as follows:

General Academic Institutions.

The University of Texas at Arlington is a major comprehensive teaching, research and public service institution located in the heart of the Dallas-Fort Worth Metroplex. As the University System's second largest academic component, this institution offers 5.5 baccalaureate, 60 master's and 20 doctoral degrees within nine academic units including Architecture, Business, Engineering, Liberal Arts, Nursing, Science, Social Work, Teacher Education and Urban and Public Affairs. A high **priority** on graduate education has stimulated the growth of the Graduate School to nearly 20 percent of the total student population. The largest graduate enrollment is in the engineering disciplines. One of the **fastest-growing** programs is the doctorate in humanities, which continues to receive national accolades.

The University of Texas at Austin, which opened in 1883, is the oldest and largest component of the University System and third largest university in the nation. It is a major comprehensive research university with a broad mission of undergraduate education, graduate education and research and public service. Serving nearly 48,000 students, the institution offers 270 degree programs in virtually every field, except most health-related professions and agriculture. Numerous academic programs are ranked among the top 20 nationally. Because of its relatively low tuition and high **academic** standing, The University of Texas at Austin is consistently ranked among the best values in higher education in the nation.

It's academic resources include a library system that is ranked fifth among the nation's university libraries and which has more than 6.8 million volumes. The library not only serves the campus community but also is a major source of information for scholars, professionals, businesses, government agencies, and the general public across the state.

The University of Texas at Brownsville, formerly a part of the University of Texas - Pan American, became a separate institution of the University System as of September 1, 1991. Located one block from the Texas-Mexico border, The University of Texas at Brownsville's efforts are directed toward enhancing educational opportunities for a bilingual, bicultural population. The institution, through a partnership with Texas Southmost College, offers certificates, associate, baccalaureate and graduate programs within six academic units including Liberal Arts, Science and Mathematics, Business and Industry, Education, Health Sciences and the Division of Continuing Education. The partnership with Texas Southmost College operates with a consolidated administrative structure. The combined faculty and shared teaching mission provide continuity in curriculum, efficient use of physical, fiscal and human resources, and high-quality instructional programs.

The University of Texas at Dallas, developed from a private graduate research center established in 1961, joined the University System in 1969. It offered only upper-level and

graduate studies until the addition of freshman and sophomore classes in 1990. The institution is located approximately 18 miles north of downtown Dallas, adjacent to Synergy Park, a 400 acre high-technology industrial park developed by the institution. There are also two off-campus components of the institution--the Callier Center for Communication Disorders (a leading speech and hearing clinic), and the University of Texas at Dallas Geological Information Library.

The Schools of the institution, which include Arts and Humanities, General Studies, Engineering and Computer Science, Human Development, Management, Natural Sciences and Mathematics, and Social Sciences, provide public service as well as study and research opportunities. When measured by research funding per faculty member, it consistently ranks among the top three academic research-oriented universities in the State.

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.

The institution is nationally recognized as a center for high-technology research and as a leader in border studies and bilingual education. The University of Texas at El Paso now ranks sixth among general academic universities in Texas in total annual research expenditures, with a four-fold increase in external funding during the past five years. As a regional university, The University of Texas at El Paso serves a largely commuting student population of over 17,000, 85% of whom are from El Paso County. Additionally, over 1,300 Mexican nationals, approximately 13% of all Mexican citizens enrolled in higher education in the United States, attend the institution.

Degrees are offered at the baccalaureate, master's and doctoral levels through six colleges including Business Administration, Education, Engineering, Liberal Arts, Nursing and Allied Health and Science. Doctorates are offered in Geological Sciences and Electrical Engineering. Planning for additional doctoral programs is currently underway.

The University of Texas • Pan American, located in Edinburg, was founded in 1927 and joined the University System in 1989. Nearly all of the institution's students come from the immediate region, the four southern-most counties of Texas known as the Rio Grande Valley. The institution has the highest number of Hispanic students of any four-year college or university in the nation. About 87% of its 13,750 students are Hispanic, reflecting the demography of the region.

The University of Texas • Pan American offers one associate's degree, 41 baccalaureate degrees and 30 master's degrees through six academic colleges including Business Administration, Education, Health Sciences and Human Services, Liberal and Performing Arts, Science and Engineering and Social and Behavioral Sciences. The institution also offers a doctorate in Business Administration with a concentration in international business. Additionally, several other degree programs are in various stages of planning and approval for implementation during the next several years.

The University of Texas of the Permian Basin in Odessa, was established in 1969 by the Texas Legislature as an upper-level institution, its mission was expanded in 1991 to include freshman and sophomore courses. It is the only four-year university serving the surrounding 17-county region. The institution with 23 undergraduate and 8 graduate programs, currently serves more than 2,300 students. Its academic structure consists of Arts and Sciences, Business Administration, Engineering and Education. Special programs include international study, premedical and prelegal studies and teacher certification.

The University of Texas of the Permian Basin provides a strong foundation for the region's future with special programs that assist surrounding communities and local industry. One such program is the Petroleum Industry Alliance (PIA) located at the Center for Energy and Economic Diversification. PIA serves the region's most vital industry--oil and gas. It connects the oil and gas industry with State and Federal agencies, laboratories and the institution.

The University of Texas at San Antonio was authorized by the Texas Legislature in 1969, and first offered classes in 1973. The institution's primary strength at the undergraduate level lies in the breadth and depth of its academic programs. Its four colleges--Business, Fine Arts and Humanities, Sciences and Engineering, and Social and Behavioral Sciences--offer 75 undergraduate and graduate degree programs, including 48 baccalaureate degrees. Graduate degree programs include 8 masters concentrations in the College of Business. A doctoral program with a focus on neurobiology has been implemented, and additional doctoral programs in engineering, computer science and educational leadership are planned.

The Institute of Texan Cultures at San Antonio is part of The University of Texas at San Antonio. Since its completion in 1968, the Institute has grown from a world's fair exhibit 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 University of Texas at Tyler, established in 1971 as Tyler State College, became Texas Eastern University in 1976. By action of the State Legislature, it became a part of the University System in 1979. The University of Texas at Tyler is the only public degree-granting university located in the East Texas Planning Region, an area of 700,000 population which includes the Tyler-Longview metropolitan area.

As an upper-level university, The University of Texas at Tyler address the needs of students from community and junior colleges and transfer students from other institutions. The institution has established joint baccalaureate programs with several community and junior colleges in the region, as well as a partnership agreement with Tyler Junior College. Baccalaureate and master's degrees are offered through four major academic colleges including Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics.

Health Institutions.

The University of Texas Southwestern Medical Center at Dallas is by many measures among the top academic medical centers in the United States, counting among its faculty four active Nobel Laureates. Established as Southwestern Medical College in 1943, it became a part of the University System in 1949. In 1972, its scope was expanded to that of a health science center and the current name was adopted in 1987. Today, the Medical Center consists of Southwestern Medical School, Southwestern Graduate School of **Biomedical** Sciences and Southwestern Allied Health Sciences School. The three schools enroll a total of 1,700 students and train more than 1,400 postdoctoral resident **physicians** and research fellows and provide continuing education for approximately 15,000 practicing health professionals.

The Medical Center's Faculty has nearly 1,300 full-time members. In addition to the four active Nobel Laureates, the faculty includes 11 members of the National Academy of Sciences and 3 members of Britain's Royal Society. The faculty and residents provide patient care at the **Zale Lipshy** University Hospital, Parkland Memorial Hospital, The Children's Medical Center of Dallas and a host of other military veteran and civilian hospitals. Faculty physicians provide more than \$157 million in unreimbursed professional services annually.

More than \$130 million a year in research is conducted in arthritis, cancer, cholesterol, chronic pain, developmental biology, heart disease and stroke, molecular genetics, neurosurgery, a variety of central nervous system, neuromuscular and psychiatric disorders; and on many other clinical and basic science fronts.

The University of Texas Medical Branch at Galveston is the oldest academic health science center in Texas and the second oldest component of the University System. Founded in 1891, the Medical Branch has awarded more than 19,000 degrees to health science professionals. It is estimated that one-fourth of the physicians practicing in the State today trained at the Medical Branch.

More than 2,700 students, including housestaff, are enrolled in the degree programs and graduate medical training offered through the School of Medicine, the School of Nursing, the School of Allied Health Sciences, the Graduate School of Biomedical Sciences, the Institute for the Medical Humanities, and the Marine Biomedical Institute.

Composed of four schools, two institutes, and seven hospitals, the Medical Branch is the only statewide referral center. The Medical Branch treats over 33,000 inpatients and more than 502,000 outpatients annually, including over 65,000 emergency room patients. The John Sealy Hospital, a 12-story, 528-bed tower, is the central patient care facility. Other Medical Branch hospitals include the Jennie Sealy Hospital, R. Waverley Smith Pavilion, Mary Moody Northern Pavilion, Children's Hospital and the Texas Department of Criminal Justice Hospital. The Shriners Burns Institute provides treatment free of charge to pediatric burn patients from around the world.

The University of Texas Health Science Center at Houston, which was established in 1972, has become the largest educational component of the Texas Medical Center, and it is among the country's top 10 free-standing medical/health research institutions in research expenditures. Over 3,000 students are enrolled in six schools consisting of Medicine, Dentistry, Nursing, Public Health, Biomedical Sciences and Allied Health Sciences,

The Health Science Center's focus on prevention recognizes that most diseases result from three factors: genetics, environmental and lifestyle. Prevention is the key in a number of Federally funded projects including finding genes responsible for diabetes and the prevention of AIDS among adolescents. A full range of medical specialties continues to be available through the Medical School's physicians, who provide care for more than 594,000 outpatients annually. The institution also operates the Harris County Psychiatric Center, the only public psychiatric hospital in the Houston area, where patient admissions total more than 4,000 annually. The Dental Branch provides care to more than 128,000 outpatients, and Nursing Services, which provides primary care for students, employees and private patients, treats nearly 12,000 outpatients annually.

The University of Texas Health Science Center at San Antonio was established in 1968, and has gained an international reputation as a leading university research center. Located on a 100-acre campus in the heart of the South Texas Medical Center, the Health Science Center has more than a \$800 million impact each year on the Texas economy and provides more than \$70 million each year to the community in indigent care. Degree programs are offered in six schools including Medical, Dental, Nursing, Allied Health Sciences, Graduate School of Biomedical Sciences, Public Health and Doctor of Pharmacy Degree Program. The Dental School consistently ranks as one of the nation's top dental programs and in the number of research projects funded by the National Institutes of Health. For the past 8 years, the Dental School has led the country in the number of student fellowships granted by the American Association of Dental Research.

Research and patient care in areas such as diabetes, orthopedics, pediatric surgery, organ transplantation, and a host of rehabilitative medicines attract patients from across the nation and from throughout the world. The faculty and residents provide patient care at the University Hospital, the Audie L. Murphy Memorial Veterans Hospital, the University Health Center, and a host of other military and civilian hospitals and institutions.

The University of Texas M.D. Anderson Cancer Center at Houston ranks as one of the world's most respected and productive centers devoted exclusively to cancer patient care, research, education and prevention. Since the institution was established by the Texas Legislature in 1941, M.D. Anderson has made major contributions that have enhanced cancer care throughout the world. M.D. Anderson was one of the first three such centers and remains the only comprehensive cancer center within a university system. The main complex of M.D. Anderson is located in Houston's Texas Medical Center and is composed of a 518-bed hospital, a 10-story outpatient clinical building and numerous research laboratories. More than 315,000 people have turned to M.D. Anderson for cancer care since the first patient was registered in 1944. Additionally, M.D. Anderson offers one of the largest bone marrow transplantation

programs in the world and an extensive program of clinical trials that seek to improve therapies for all types of cancer.

Besides research conducted in the Houston complex, studies focusing on the environmental causes of cancer are underway in the Department of Carcinogenesis at M.D. Anderson's Science Park-Research Division in Bastrop County. The Science Park also includes the Department of Veterinary Sciences, which is devoted to producing research animals for many institutions in Texas.

The University of Texas Health Center at Tyler is an academic health care institution with a mission of patient care, medical education and biomedical research. The institution joined the University System in 1977, after 30 years as a State tuberculosis and pulmonary hospital. Patients come to the Health Center for primary care and for further diagnosis and treatment by specialists, particularly in the areas of heart and lung diseases. Outpatient services include family practice, breast diagnostics, sleep evaluation, occupational medicine, oncology, internal medicine, urgent care, adult asthma, and many other clinical science fronts. The institution records more than 92,000 outpatient visits annually, with approximately 60% coming from outside the Tyler and Smith County region.

The Health Center ranks eighth in Texas and first in East Texas in the amount of biomedical research being conducted, and leads the area in attracting biotechnology industries to East Texas. The research mission of the Health Center involves both basic and clinical studies. Ongoing research includes adult respiratory distress syndrome, pulmonary edema, lung cell injury and the mechanisms of cell regulation.

Enrollment

The following are the historical headcount enrollment figures at the teaching institutions of the University System during the past five Fall Semesters:

	<u>Fall Enrollment⁽¹⁾</u>				
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
The University of Texas at Arlington	24,783	25,135	24,727	23,749	23,202
The University of Texas at Austin ⁽²⁾	49,617	49,961	49,253	48,555	47,957
The University of Texas at Brownsville ⁽³⁾	1,432	1,457	1,672	1,911	2,205
The University of Texas at Dallas	8,685	8,980	8,993	8,640	8,487
The University of Texas at El Paso	16,524	16,795	17,213	16,999	17,188
The University of Texas-Pan American	12,248	12,466	13,299	13,702	13,750
The University of Texas of the Permian Basin	2,041	2,107	2,282	2,219	2,315
The University of Texas at San Antonio	15,489	15,759	16,767	17,097	17,579
The University of Texas at Tyler	3,725	3,789	3,979	3,936	3,987
The University of Texas Southwestern Medical Center at Dallas	1,529	1,595	1,634	1,680	1,700
The University of Texas Medical Branch at Galveston	1,799	1,960	2,112	2,251	2,327
The University of Texas Health Science Center at Houston	3,016	3,125	3,204	3,279	3,183
The University of Texas Health Science Center at San Antonio	2,456	2,546	2,573	2,662	2,790
Total	<u>143,344</u>	<u>145,675</u>	<u>147,708</u>	<u>146,680</u>	<u>146,670</u>

(1) The University of Texas M.D. Anderson Cancer Center **and The** University of Texas Health Center at Tyler do not have enrolled students.

(2) In order to prevent overcrowding of facilities and an unacceptable student-to-faculty ratio, The University of Texas at Austin initiated an enrollment management program in the Fall 1987 **aimed** at achieving a target enrollment of **48,000** by the Fall 1994.

(3) The University of Texas at Brownsville shares an educational partnership with Texas Southmost College. Enrollment data consists of upper-level undergraduate students (above the sophomore level) and graduate students at the University of Texas at Brownsville only and does not include students enrolled at Texas Southmost College.

Degrees Awarded

Set forth below is a listing of the degrees awarded at the degree granting components of the University System during the past five years.

	<u>Degrees Awarded</u>				
	<u>1989-90</u>	<u>1990-91</u>	<u>1991-92</u>	<u>1992-93</u>	<u>1993-94</u>
<u>General Academic Institutions</u>					
Associate	73	87	88	101	79
Baccalaureate	16,034	17,009	16,709	17,319	17,265
Master's	4,446	4,698	5,093	5,546	5,872
Doctoral	805	824	803	843	881
Special Professional	<u>550</u>	<u>558</u>	<u>511</u>	<u>548</u>	<u>524</u>
Total	<u>21,908</u>	<u>23,176</u>	<u>23,204</u>	<u>24,357</u>	<u>24,621</u>
<u>Health Institutions</u>					
Certificate	123	255	239	187	180
Baccalaureate	787	897	948	1,050	1,132
Master's	310	299	363	413	437
Doctoral					
Ph.D	156	133	141	150	169
M.D.	749	748	741	747	759
D.D.S.	<u>178</u>	<u>171</u>	<u>168</u>	<u>151</u>	<u>187</u>
Total	<u>2,303</u>	<u>2,503</u>	<u>2,600</u>	<u>2,698</u>	<u>2,864</u>

Faculty and Employees

The numbers of full-time equivalent faculty and employees employed by the component institutions of the University System as of November 1994, the most recent period for which such information is available, are set forth in the following table:

Full-Time Equivalent Faculty and Employees

	<u>November 1994</u>	<u>Percent of Total</u>
<u>General Academic Institutions</u>		
Faculty	4,767	8.34%
All Other Employees	<u>27,814</u>	<u>48.66</u>
Subtotal	32,581	57.00
<u>Health Institutions</u>		
Faculty	6,400	11.20
All Other Employees	<u>17,778</u>	<u>31.10</u>
Subtotal	24,118	42.30
<u>University System Administration</u>		
	4 1 3	—
Total	<u>57,172</u>	<u>100.0%</u>

The quality of the faculty in the University System is evidenced by a wide range of honors, awards and grants. Currently, the faculty of the component institutions within the University System includes: six Nobel Prize Laureates; two Pulitzer Prize Winners; 33 Members of the National Academy of Sciences; 34 Members of the National Academy of Engineering; 20 Members of the American Academy of Arts and Sciences; 21 Members of the American Law Institute; and 25 members of the American Academy of Nursing.

Each year, faculty members throughout the University System conduct research funded by competitive grants from agencies such as the National Science Foundation, the National Institutes of Health, the American Cancer Society, the National Endowment for the Humanities, the National Endowment for the Arts and the Coordinating Board. Research expenditures from these and other grants have increased 40.3% during the fiscal years 1990 through 1994 from \$521 million to \$731 million.

University System faculty members have received such prestigious awards as the Field Medal in mathematics, Presidential Young Investigator Awards, and numerous fellowships from such organizations as the **McArthur**, Guggenheim, Mellon, Rockefeller, Ford, Sid Richardson, Welch and Meadows Foundations.

FINANCIAL MANAGEMENT OF THE UNIVERSITY **OF** TEXAS SYSTEM

Financial management of the University System is the responsibility of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor for Asset Management. The Office of Asset Management is responsible for investment management of the University System's endowment real estate and endowment funds. The Office of Business Affairs includes the Office of Finance, which reports to John A. Roan, Assistant Vice Chancellor for Finance. The Office of Business Affairs has debt administration responsibility, as well as offices which coordinate the operational activities of the University System, including budget matters. The Assistant Vice Chancellor and Controller of the University System, reporting to the Executive Vice Chancellor for Business Affairs, prepares for the Board an annual budget for the University System, monthly financial reports and the annual unaudited primary financial statements of the University System financial report for the Board.

Financial Statements

Annually, not later than December 31st of each year, the unaudited primary financial statements of the University System dated as of August **31st**, prepared from the books of the University System, must be delivered to the Governor and the State Comptroller of Public Accounts. Each year, the State Auditor must certify the financial statements of the State as a whole, inclusive of the University System, and in so doing examines the financial records at each of the University System's component institutions. No outside audit in support of this detailed review is required or obtained by the University System.

The University System's combined primary financial statements include the System Administration and all component institutions of the University System. Amounts due between component institutions in the same fund category, amounts held for component institutions by the System Administration and other duplications in reporting are eliminated in combining the individual financial statements.

The University System is an agency of the State of Texas and its financial records reflect compliance with applicable State statutes and regulations. The significant accounting policies followed by the University System in maintaining accounts and in the preparation of the combined primary financial statements are in accordance with Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. These requirements follow, as near as practicable, the AICPA Industry Audit Guide Audits of Colleges and Universities, 1973, as amended by AICPA Statement of Position (SOP) 74-8, Financial Accounting and Reporting by Colleges and Universities.

Attached to this Official Statement as "APPENDIX C, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," is the most recent unaudited Combined Primary Financial Statements of The University of Texas System (with the relevant portion of the Notes to the Combined Primary Financial Statements), for the University System's fiscal year ended August 31, 1994, excerpted from the 1994 Annual Report of The University of Texas System. The University System's unaudited Primary Financial Statements set forth as APPENDIX C consist of the Combined Balance Sheet as of August 31, 1994, the Combined Statement of Changes in Fund Balances for the Year Ended August 31, 1994, and the Combined Statement of Current Funds Revenues and Expenditures for the Year Ended August 31, 1994.

Following is a summary of the revenues, expenditures and fund balances derived from the unaudited primary financial statements of the University System for each of the most recent five fiscal years.

Current Funds

Current funds are funds expendable for current operating purposes. Within the current funds group, funds are segregated between unrestricted and restricted. The current funds revenues and expenditures described below are derived from the Combined Statement of Current Funds Revenues and Expenditures included in the University System's unaudited primary financial statements for each of the fiscal years indicated. This statement, prepared under the principles of fund accounting, presents the financial activities of current funds related to the applicable reporting period and does not purport to present the results of operations or the net income or loss for the period. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Financial Statements."

Unrestricted Current Funds Revenues. Unrestricted funds are funds over which the Board retains full control in achieving institutional purposes. Not all unrestricted funds constitute Pledged Revenues. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM." The unrestricted current funds revenues described below are derived from the unaudited primary financial statements of the University System for each of the fiscal years in the five year period ended August 31, 1994. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Financial Statements." Unrestricted current funds revenues are categorized by source. Each category of unrestricted current funds revenues presented below as a percent of total sources of such revenues is as follows:

<u>Sources of Revenues</u>	<u>Percent of Total Sources of Unrestricted Current Funds Revenues in Fiscal Years</u>				
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
Tuition and Fees ...	7.36%	7.45%	7.51%	8.39%	8.77%
State Appropriations	47.15	44.43	41.68	38.92	39.56
Gifts, Grants and Contracts	4.88	3.76	3.85	4.63	5.46
Available University Fund Income	3.35	3.34	3.08	2.95	2.60
Endowment Income	0.00	0.01	0.09	0.07	0.56
Sales and Services	22.61	27.13	28.48	29.70	26.81
Professional Fees	10.84	10.15	11.00	11.55	13.08
Other Interest Income	2.49	2.18	1.91	1.35	1.24
Other Sources	<u>1.32</u>	<u>1.55</u>	<u>2.40</u>	<u>2.44</u>	<u>1.97</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Tuition and Fees. Each component institution granting degrees charges tuition and fees as set by the State Legislature and the Board under Chapters 54 and 55 of the Texas Education Code. Pursuant to legislation passed in 1985 and amended in 1991, the undergraduate tuition charged to State residents increased over a six-year period from \$18 per semester credit hour in the 1989-90 academic year to the current level of \$28. State law provides for future increases in undergraduate tuition applicable to State residents to the following levels: \$30 per semester credit hour for the 1995-96 academic year and \$32 for the 1996-97 academic year. Undergraduate tuition for non-State residents has remained at \$120 per semester credit hour since the 1985-86 academic year. Even with such tuition increases, the cost of attending University System institutions remains extremely competitive with the cost of attending public universities in other states.

This category covers all tuition and fees assessed against students (net of refunds) for educational purposes. The following table sets forth the total of tuition and fees collected during each of the five most recent fiscal years:

Tuition and Fees (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$175.6	\$187.5	\$212.3	\$256.5	\$290.4

State Appropriations. The University System receives support annually from the State through annual general revenue fund appropriations made by the State Legislature. For the most recent year ended August 31, 1994, 39.56% of unrestricted current funds revenues were from State general revenue fund appropriations.

Levels of continued State support to the University System are dependent on results of biennial legislative sessions. Currently the State Legislature is in session and will adopt a budget for the State for the biennium beginning September 1, 1995. On January 10, 1995, the State Comptroller of Public Accounts estimated that during the next biennium, the State will receive a total of \$46.9 billion in general revenue funds available for appropriation by the State Legislature. This amount is up by \$7.8 billion, or 19.95% over the current biennium. The State Constitution prohibits the enactment of an appropriations bill unless the State Comptroller of Public Accounts certifies that the amounts appropriated are within the amounts estimated to be available.

The University System has no assurance that the State Legislature will continue to appropriate to it the general revenue funds of the State at the same levels as in previous years. Future levels of State support are dependent upon the ability and willingness of the State Legislature to make appropriations to the University System taking into consideration the availability of financial resources and other potential uses of such resources. The table below sets forth the State general revenue fund appropriations included in unrestricted current funds revenues during each of the five most recent fiscal years:

State Appropriations (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$1,125.5	\$1,118.7	\$1,178.9	\$1,189.2	\$1,310.5

Gifts, Grunts and Contracts. The University System receives federal, state and local grants and contracts for research which incorporate an overhead component for use in defraying operating expenses. This overhead component is treated as unrestricted current funds revenues while the balance of the grant or contract is treated as restricted current funds revenues. Indirect cost recovery rates used in calculating the overhead component are negotiated annually with the appropriate governmental agency for each component institution. In addition, unrestricted gifts are received by each institution. The following table sets forth the total of the overhead component received on governmental research grants and contracts, the portion of restricted gifts or grants from nongovernmental sources expended for current operations and the amount of unrestricted gifts received during each of the five most recent fiscal years:

Gifts, Grants and Contracts
(in Millions)

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$116.5	\$94.6	\$108.8	\$141.3	\$180.9

Available University Fund Income. The Available University Fund is established by the State Constitution and consists of all dividends, interest and other income of the Permanent University Fund (net of Permanent University Fund administrative expenses) including the net income attributable to the surface of Permanent University Fund lands. Two-thirds of the total amounts comprising the Available University Fund (after administrative expenses) are constitutionally appropriated to the University System first, for the payment of annual debt service on Permanent University Fund bonds and notes issued by the Board, and second, for the support and maintenance of The University of Texas at Austin and System Administration. The following table sets forth the amounts so appropriated for The University of Texas at Austin and System Administration during each of the five most recent fiscal years:

Available University Fund Income
(in Millions)

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$79.9	\$84.0	\$87.2	\$90.0	\$86.3

Endowment Income. Endowment Income is received on both a restricted and unrestricted basis. The University System now reports virtually all endowment income as restricted in response to a re-evaluation of its practices relating to accounting for this source of revenue. The following table sets forth the amount of unrestricted endowment income received during each of the five most recent fiscal years:

Endowment Income
(in Millions)

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$0.1	\$0.2	\$2.6	\$2.0	\$18.4

Sales and Services. The University System operates hospitals in Galveston, Houston and Tyler, Revenue generated at the hospitals from private, public and third-party payers represents a significant form of income to the University System. Other educational activities and auxiliary enterprises also generate revenue which is unrestricted. The following table sets forth the amount of such revenue received during each of the five most recent fiscal years:

Sales and Services (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$539.8	\$683.2	\$805.6	\$907.4	\$888.2

Professional Fees. At each Health Institution of the University System, a medical Practice Plan has been adopted by the Board covering professional income generated by the faculty. Practice Plan revenues are spent for the operational costs of clinical services, including salaries of the medical staff and constitutes Practice Plan Funds. The following table sets forth the Practice Plan income received from professional fees during each of the five most recent fiscal years:

Professional Fees (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$258.8	\$255.5	\$311.3	\$353.0	\$433.2

Other Interest Income. Each University System component institution generates interest from the investment of cash under an investment policy adopted by the Board in accordance with State law. (See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Investment Policy and Procedures-Management of Funds Other Than Endowment, Annuity and Life Income, and Certain Agency Funds"). The following table sets forth such interest income received during each of the five most recent fiscal years:

Other Interest Income (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$59.6	\$54.9	\$53.9	\$41.2	\$41.1

Other Sources. All miscellaneous revenues including rents, fees, fines, sales and other receipts not categorized above have been grouped together as "other sources." The following table sets forth the amount of such miscellaneous revenues received during each of the five most recent fiscal years:

Other Sources (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$31.4	\$39.0	\$68.0	\$74.7	\$63.7

Total Unrestricted Current Funds Revenues. The following table sets forth the total of all unrestricted current funds revenues received during each of the five most recent fiscal years:

Total Unrestricted Current Funds Revenues				
(in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$2,387.2	\$2,517.7	\$2,828.5	\$3,055.2	\$3,312.7

Total Pledged Unrestricted Current Funds Revenues. The following table sets forth the amount of unrestricted current funds revenues received during each of the five most recent fiscal years that constituted Pledged Revenues:

Total Pledged Unrestricted Current Funds Revenues**				
(in Millions)				
<u>1990⁽²⁾</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994⁽³⁾</u>
N/A	\$602.8	\$698.5	\$784.8	\$1,035.4

(1) Does not include 4.5 million in Pledged Practice Plan Funds which also constitute Pledged Revenues.

(2) The Revenue Financing System was not fully implemented until 1991.

(3) Includes the Pledged General Tuition, which became a component of Pledged Revenues on October 8, 1993.

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Unrestricted Current Funds Expenditures. Unrestricted current funds expenditures represent the cost incurred for goods and services used in the conduct of the University System's operations. They also include the acquisition cost of capital assets, such as equipment and library books, to the extent unrestricted current funds are budgeted for and used by operating departments for such purposes. The unrestricted current funds expenditures are derived from the unaudited primary financial statements of the University System for each of the fiscal years in the five-year period ended August 31, 1994. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Financial Statements." Unrestricted current fund expenditures are categorized by function. Each category of unrestricted current funds expenditures and mandatory transfers presented below as a percent of total expenditures by function and mandatory transfers is as follows:

	Percent of Total Unrestricted Current Funds Expenditures and Mandatory Transfers				
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<u>Expenditures</u>					
Education and General Instruction ...	35.45%	35.16%	34.64%	33.46%	34.33%
Research	4.92	5.78	5.40	5.00	4.58
Public Service	1.08	1.09	1.20	1.33	1.63
Academic Support	4.88	4.57	4.48	4.35	4.11
Student Services	1.29	1.27	1.26	1.33	1.39
Institutional Support	8.74	8.07	7.46	8.43	8.90
Operations and Maintenance of Plant .	10.51	10.35	9.39	9.86	8.61
Scholarships and Fellowships	1.83	1.70	1.75	1.77	1.84
Hospitals	21.99	23.16	26.01	26.39	27.05
Auxiliary Enterprises	7.39	7.14	6.76	6.45	6.04
Mandatory Transfers")	<u>1.72</u>	<u>1.71</u>	<u>1.65</u>	<u>1.63</u>	<u>1.52</u>
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>~00.00%</u>	<u>100.00%</u>

(1) Includes debt service payments on Parity Debt and Prior Encumbered Obligations. See "Mandatory Transfers" below

Instruction. This category includes expenditures for all activities that are part of the University System's instructional programs. Expenditures for credit and non-credit courses, for academic, vocational and technical instruction, for remedial and tutorial instruction and for regular, special and extension sessions are included. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Instruction (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$803.5	\$864.2	\$924.3	\$1,004.0	\$1,085.7

Research. This category includes all expenditures for activities specifically organized to produce research. Expenditures may be either internally or externally sponsored. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Research (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$110.9	\$142.0	\$144.2	\$150.1	\$144.8

Public Service. This category includes funds expended for activities that are established primarily to provide non-instructional services beneficial to individuals and groups external to the University System. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Public Service (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$24.3	\$26.9	\$32.0	\$40.1	\$51.5

Academic Support. This category includes funds expended primarily to provide support services for instruction, research and public service. Expenditures included in this category are those supporting the operation of libraries, museums and galleries, as well as those for academic administration, technical support and curriculum development. The following table presents a history these expenditures for each of the five most recent fiscal years:

Academic Support (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$110.1	\$112.3	\$119.5	\$130.5	\$130.0

Student Services. This category includes funds expended for the offices of admissions and registrar and for those activities whose primary purpose is to contribute to the student's emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instructional program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Student Services (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$29.2	\$31.3	\$33.7	\$39.9	\$44.0

Institutional Support. This category includes expenditures for administration, planning, fiscal operations, data processing, employee personnel and records and logistical activities. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Institutional Support (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$197.0	\$ 198.3	\$199.1	\$253.0	\$281.4

Operations and Maintenance of Plant. This category includes all expenditures of unrestricted current funds for the operation and maintenance of physical plant, net of amounts charged to auxiliary enterprises, hospitals and independent operations. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Operations and Maintenance of Plant (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$236.9	\$254.3	\$250.7	\$295.9	\$272.3

Scholarships and Fellowships. This category includes expenditures for scholarships and fellowships, including tuition remissions and exemptions in the forms of grants to students resulting either from selection by component institutions of the University System or from an entitlement program. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Scholarships and Fellowships (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$41.2	\$41.9	\$46.7	\$53.0	\$58.2

Hospitals. This category includes all expenditures associated with patient care operations of the University System's hospitals as well as expenditures for health clinics that are part of the hospitals, including nursing and other professional services, fiscal services, physical plant operations and institutional support, both direct and indirect. The following table presents a history of these expenditures for each of five most recent fiscal years:

Hospitals (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$495.7	\$569.4	\$694.2	\$791.9	\$855.5

Auxiliary Enterprises. This category includes all expenditures relating to the operation of auxiliary enterprises, including expenditures for operation and maintenance of plant and institutional support. The following table presents a history of these expenditures for each of the five most recent fiscal years:

Auxiliary Enterprises (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$166.5	\$175.6	\$180.3	\$193.5	\$191.2

Mandatory Transfers. This category includes transfers from the unrestricted current funds group to other fund groups arising primarily out of binding legal agreements for the payment of debt service on Parity Debt and Prior Encumbered Obligations, as well as required provisions for renewals and replacements of plant. The following table presents a history of these transfers for each of the five most recent fiscal years:

Mandatory Transfers (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$38.9	\$42.1	\$44.1	\$49.0	\$48.1

Total Unrestricted Current Funds Expenditures and Mandatory Transfers. The following table presents a history of the total of all categories of unrestricted current funds expenditures and mandatory transfers for each of the five most recent fiscal years:

Total Unrestricted Current Funds Expenditures and Mandatory Transfers (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$2,254.1	\$2,458.2	\$2,668.7	\$3,001.0	\$3,162.7

Restricted Current Funds Revenues and Expenditures. Restricted current funds revenues refer to resources that have been externally restricted and may only be utilized in accordance with the purposes stipulated by the source of such funds. Such revenues include, among others, grants and contracts from governmental and **private sources** (other than the overhead component which is treated as unrestricted current funds revenue), restricted gifts and income on restricted endowment funds. Receipts from these resources are reported as revenues only when expended. The following table presents a history of total restricted current funds revenues and expenditures for each of the five most recent fiscal years:

Total Restricted Current Funds Revenues and Expenditures (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$508.2	\$555.8	\$604.4	\$689.0	\$717.6

Fund Balances

Fund balances represent the difference between total assets and total liabilities and are reported by fund group. The fund balances described below are derived from the Combined Balance Sheet included in the University System's unaudited primary financial statements for each of the fiscal years indicated. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Financial Statements." The Combined Statement of Changes in Fund Balances for the fiscal year ended August 31, 1994, included in "APPENDIX C, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM," is essentially a statement of changes in financial position between reporting dates and is presented for all fund groups.

Unrestricted Current Funds. Unrestricted current funds balances represent the accumulation of the excess of unrestricted current funds revenues over unrestricted current funds expenditures and transfers. This amount is available for future operating purposes or other use as determined by the Board to the extent that such amount exceeds the amount reported as Unrestricted-Reserves. See the Combined Balance Sheet included in "APPENDIX C, FINANCIAL STATEMENTS OF THE UNIVERSITY OF TEXAS SYSTEM" for details for the year ended August 31, 1994. The total fund balance of all categories of unrestricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:

**Unrestricted Current Funds Balances
(in Millions)**

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$736.2	\$719.9	\$783.2	\$770.6	\$867.7

Restricted Current Funds. Restricted current funds represent unexpended balances of funds externally restricted to specific operating purposes. Such funds originate from income on restricted endowment funds, gifts whose donors have placed limitations on their use and grants and contracts from private or governmental sources for research, training and other sponsored programs (other than the overhead component which is treated as unrestricted current funds). The total fund balance of restricted current funds (which relates to the revenues and expenditures presented above) as of the end of each of the five most recent fiscal years was as follows:

**Restricted Current Funds Balances
(in Millions)**

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$591.7	\$346.4	\$355.7	\$388.5	\$426.8

Loan Funds. Loan funds balances represent student loans or funds available for loans to students administered by the University System pursuant to federal and private programs. The majority of such loans are federally funded primarily through the Perkins Loan Program which succeeded the National Direct Student Loan Program. The balance of such loans is funded by the University System either through private sources or from student tuition as authorized by State law. The loan funds balance as of the end of each of the five most recent fiscal years was as follows:

Loan Funds (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$83.6	\$89.6	\$95.7	\$ 100.9	\$108.7

Endowment and Similar Funds (State-Permanent University Fund). While listed as an asset on the Combined Balance Sheets included in the University System’s unaudited primary financial statements, the Permanent University Fund is a public endowment the corpus of which must be forever kept intact. Only certain revenues derived from the investment of the corpus of the Permanent University Fund comprise the Available University Fund and are appropriated for use by the University System. See “FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Fund Balances-Available University Fund.” For more information regarding the Permanent University Fund, see “FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Permanent University Fund” and “-Investment Policy and Procedure—Investment of Permanent University Fund.”

Endowment and Similar Funds (Other than State). The Other than State category of endowment funds consist primarily of the Long Term Fund (formerly known as the Common Trust Fund) and other private endowments. The Long Term Fund is a pooled fund for the investment of private endowments donated to benefit various programs and purposes at the fifteen institutions comprising the University System. The fund was established by the Board in 1948 and provides for diversification of security holdings and enhancement of investment management. It encompasses the investment of approximately 90% of the University System’s private endowment. See “FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Investment Policy and Procedures-Investment Programs-The Long Term Fund.”

Other private endowments consist primarily of (a) approximately 154 separately invested accounts where the endowment asset donated is unique, such as a real estate interest, or where the donor has placed investment restrictions on the asset so as to preclude its inclusion in the Long Term Fund, and (b) the Special Fund for John Sealy Hospital which has been jointly controlled by the Board and the Sealy and Smith Foundation since 1927. The endowment and similar funds (other than State) balances as of the end of each of the five most recent fiscal years was as follows:

Endowment and Similar Funds (Other than State) (in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$779.6	\$848.6	\$1,024.8	\$1,163.2	\$1,295.3

Of the \$1,295.3 shown for 1994, \$319.5 million is classified as “Funds Functioning as Endowment,” which means that such funds have been designated as endowments by the Board and are subject to being redesignated by the Board and made available for other lawful purposes¹

Annuity and Life Income Funds. Annuity funds and life income funds are separate fund groups which are combined for reporting purposes. Annuity funds are those funds donated to the University System on the condition that the University System pay certain amounts periodically to the donor or other

designated individuals for a specific period of time. At the end of the payment period, the principal amount of the annuity fund is transferred to the fund group specified by the donor or, in the absence of restrictions, to unrestricted funds. Life income funds consist mainly of charitable remainder trusts where the University System is trustee and/or remainderman and pays distributions in agreed upon amounts to beneficiaries. Annuity and life income balances as of the end of each of the five most recent fiscal years was as follows:

Annuity and Life Income Funds				
(in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$7.9	\$10.6	\$13.1	\$12.6	\$13.6

Available University Fund. The Available University Fund is established by the State Constitution and consists of all dividends, interest and other income of the Permanent University Fund (net of Permanent University Fund administrative expenses) including the net income attributable to the surface of Permanent University Fund lands. Two-thirds of the total amounts comprising the Available University Fund (after administrative expenses) are constitutionally appropriated to the University System first, for the payment of annual debt service on Permanent University Fund bonds and notes issued by the Board, and second, for the support and maintenance of The University of Texas at Austin and System Administration.

The Available University Fund balances appropriated to the University System as of the end of each of the five most recent fiscal years was as follows:

Available University Fund				
(in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$60.1	\$83.4	\$95.2	\$88.5	\$92.1

A portion of the fund balance for each year shown above represented accrued income attributable to The Texas A&M University System. Of the \$92.1 million balance of the Available University Fund on August 31, 1994, approximately \$15.6 million represented accrued income attributable to The Texas A&M University System.

Plant Funds. The University System reports its Plant Funds in the following four categories: Unexpended Plant Funds; Renewals and Replacements Funds; Retirement of Indebtedness Funds; and Investment in Plant Funds.

Unexpended Plant Funds. Unexpended plant funds are unexpended funds derived from various sources to finance the acquisition of long-term plant assets and the associated liabilities (primarily unexpended Permanent University Fund bond proceeds). This category does not include construction in progress which is included under "Plant Funds-Investment in Plant Funds" below. The unexpended plant fund balance as of the end of each of the five most recent fiscal years was as follows:

Unexpended Plant Funds				
(in Millions)				
<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$119.0	\$209.6	\$232.2	\$256.3	\$256.5

Renewals and Replacements Funds. These funds provide for the renewal and replacement of plant fund assets and their associated liabilities as distinguished from additions and improvements to plant. The renewals and replacements fund balance as of the end of each of the five most recent fiscal years was as follows:

Renewals and Replacements Funds
(in Millions)

1990	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$10.4	\$5.1	\$6.1	\$3.2	\$5.6

Retirement of Indebtedness Funds. Funds for the retirement of indebtedness represent those funds held by the University System in interest and sinking funds and reserve funds for other than Permanent University Fund bonds. The retirement of indebtedness fund balance as of the end of each of the five most recent fiscal years was as follows:

Retirement of Indebtedness Funds
(in Millions)

1990	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$47.7	\$41.8	\$43.4	\$40.7	\$5.2

Investment in Plant Funds. Investment in plant represents the long-term plant and equipment assets of the University System and their associated liabilities. The investment in plant fund balance as of the end of each of the five most recent fiscal years was as follows:

Investment in Plant Funds
(in Millions)

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$3,135.4	\$3,274.5	\$3,480.8	\$3,758.5	\$3,951.8

At August 31, 1994, gross plant assets **totalled \$4,955.7 million**. Of this total, 51.9% was in **the form** of buildings, 28.7% in equipment, 6.0% in library books, 4.4% in construction in progress and 9.0% in land and other. Deferred maintenance requirements at the University System are currently estimated to be \$38.6 million or approximately 0.82% of the replacement cost of plant assets.

Agency Funds. Agency funds represent funds held by the University System as custodian or agent for individual students, faculty, staff members and organizations. These funds primarily consist of the University System Medical Liability Self-Insurance Fund which provides malpractice insurance coverage for staff physicians, students, residents and fellows at Health Institutions. The total agency funds assets as of the end of each of the five most recent fiscal years was as follows:

Agency Funds
(in Millions)

<u>1990</u>	1991	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$123.5	\$173.0	\$24.6	\$27.8	\$44.6

As of August 31, 1994, the Medical Liability Self-Insurance Fund's assets totalled \$121.7 million. Agency fund assets are offset by liabilities (recognizing that funds are held in custody for others) and miscellaneous payables, with the result that agency funds balances are zero in any given fiscal year.

Permanent University Fund

The Permanent University Fund is a public endowment contributing to the support of the University System (other than The University of Texas-Pan American and The University of Texas at Brownsville) and The Texas A&M University System. The State Constitution of 1876 established the Permanent University Fund through the appropriation of land grants previously given to The University of Texas plus an additional one million acres. The land grants to the Permanent University Fund were completed in 1883. As of August 31, 1994, the Permanent University Fund contained 2,109,109.87 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 realized gains on investments, rentals on mineral leases, lease bonuses and all amounts received from the sale of land must be added to the corpus of the Permanent University Fund. All other dividends, interest and other income of the Permanent University Fund (net of Permanent University Fund administration expenses) represent the Available University Fund. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Fund Balances-Available University Fund." For information regarding the investment policy relating to the Permanent University Fund, see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Investment Policy and Procedures-Investment of the Permanent University Fund." ***The funds held in the Permanent University Fund are not available to pay debt service on the Bonds.***

The Permanent University Fund's balance as of the end of each of the five most recent fiscal years was as follows:

**Endowment and Similar Funds
State (Permanent University Fund)
(in Millions)**

<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
\$3,445.1	\$3,536.5	\$3,666.9	\$4,053.4	\$4,222.5

Investment Policy and Procedures

Management of Investments. The Board is responsible for investment of University System funds held outside the State Treasury and has provided for centralized investment management through the Office of Asset Management of the University System. The Vice Chancellor for Asset Management serves as the chief investment officer of the University System and supervises the Office of Asset Management. Investments are managed both internally, by securities analysts, portfolio managers and accountants employed by the Office of Asset Management, and externally, by unaffiliated investment managers.

The Board has a standing Asset Management Committee (the "Asset Management Committee") that oversees various investment functions relating to endowments and similar funds. The Asset Management Committee is comprised of the Chairman of the Board and such members of the Board as are appointed thereto by the Chairman. The Board additionally appoints an Investment Advisory Committee (the "Investment Advisory Committee") of six citizen members whose particular qualifications and experience qualify them, in the opinion of the Board, to advise the Chancellor and Vice Chancellor

for Asset Management with respect to investment policy, planning and performance evaluations. The Board also utilizes a nationally recognized performance measurement service to evaluate and analyze the investment results of the endowment funds with other public and private funds having similar objectives.

A bill currently pending before the State legislature would authorize the Board to organize a non-profit corporation controlled by the Board and to contract with such corporation for the investment of University System funds. Any such corporation must be dedicated solely to managing the investment of funds under the control and management of the Board, and the investment policies of such corporation must be approved by the Board. If the bill is enacted, the Board may determine to organize such a corporation and to transfer some or all of the staff of the Office of Asset Management to the corporation and to contract with the corporation for management of some or all of the funds under its control and management. Such action would not, however, relieve the Board from its responsibility for management of such funds.

Authorized Investments. University System funds are invested in accordance with State law and the written investment policies of the Board.. State law provides that the Board may invest University System funds subject only to the requirement that investments be made with the judgment and care, under circumstances then prevailing, that persons of 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 as well as the probable safety of their capital. The Board has adopted separate written policies relating to the investment of separate categories of University System funds, each of which contains the following restrictions, among others: (i) generally, securities may not be purchased on margin or leverage; (ii) generally, transactions in short sales are not permitted; (iii) commercial paper may not be purchased unless it is rated in the two highest quality classes by Moody's Investors Service ("Moody's") or Standard & Poor's Ratings Group ("S&P"); (iv) repurchase agreements and reverse purchase 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; and (v) transactions in derivative instruments (other than those received as part of an investment unit) may occur only as part of an approved hedging, asset allocation, or other program; provided, that for purposes of this limitation, derivatives are defined as instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

Investment Programs. To facilitate the investment of University System funds, the Board has (i) created two separate pooled investment funds, designated as the Long Term Fund (the "**LTF**") and the Short/Intermediate Term Fund (the "**S/ITF**"), and (ii) approved a money market mutual fund, designated as the Short Term Fund (the "**STF**"). Set forth below is additional information regarding the LTF, the **S/ITF** and the **STF**.

The Long Term Fund. The LTF is a long term pooled investment fund for the collective investment of all endowment and other long term funds of component institutions of the University System (other than endowment funds held in the Permanent University Fund and funds subject to use restrictions that are inconsistent with investment in the LTF). The participation of the component institutions of the University System in the LTF is evidenced by the ownership of units in the LTF. The investment objectives of the LTF are to (i) preserve the purchasing power of LTF principal and distributions stream by maximizing inflation adjusted total return and (ii) outperform relevant capital markets. Pursuant to a written policy of the Board, oversight of the LTF resides with the Asset Management Committee. In addition, the Board's policy imposes the following specific restrictions, among others, on the investment of funds comprising the **LTF**: (1) with respect to the **LTF's fixed** income portfolio, no more than 1% of the book value of the LTF may be invested in bonds or preferred stocks rated below Baa3 or BBB- by Moody's or S&P, respectively, unrated bonds, and unrated preferred stocks that, in each

case, have not been reviewed by the Asset Management Committee; and (2) with respect to the LTF's equities portfolio, no more than 5% of the voting securities of a corporation may be owned unless specifically authorized by the Vice Chancellor for Asset Management. The Board's policy also requires that the LTF's fixed income portfolio have an average investment quality equivalent to a rating of A1 or A+ by Moody's or S&P, respectively.

Asset allocation within the LTF is the responsibility of the Asset Management Committee, and asset allocation targets are subject to change from time to time based on the economic and investment outlook. The asset classes within the LTF, the long term targeted allocation percentage for each asset class and the actual asset allocation percentages as of February 28, 1995 are set forth below.

<u>Asset Class</u>	<u>Long Term Target</u>	<u>Percentage Allocation (as of 2/28/95)</u>
Cash and Cash Equivalents	0.0%	0.0%
Fixed Income	20.0%	42.0%
Equities	50.0%	51.0%
Alternative Assets(*)	<u>30.0%</u>	<u>7.0%</u>
Total Assets	100.0%	100.0%

- (1) The term "Alternative **Assets**" encompasses the following: (i) alternative marketable investments, which include hedge funds, arbitrage and special situation funds, high yield bonds, distressed obligations and emerging markets whose underlying securities are traded on public exchanges; (ii) alternative illiquid investments, which include private equity and buyout funds, and privately held venture capital interests; and (iii) inflation hedging assets, which include, among other things, oil and gas interests, real estate and commodities.

As of February 28, 1995, approximately 55% of the investment of LTF funds was managed internally and approximately 45% was managed externally by unaffiliated investment managers. The book value of the total portfolio of investments held in the LTF as of February 28, 1995 was \$1,213.6 million and the market value was \$1,241.7 million, indicating an unrealized gain on that date of \$28.1 million.

Distributions from the LTF are paid quarterly to the component institutions of the University System on a per unit basis in accordance with a written policy of the Board and the Uniform Management of Institutional Funds Act, Chapter 163, Texas Property Code, as amended.

The Short/Intermediate Term Fund. The S/ITF is a short/intermediate term pooled investment fund established by the Board for the collective investment of funds (other than endowment and other long term funds) of the component institutions of the University System. The funds in the S/ITF provide liquidity support for the Commercial Paper Notes (as hereinafter defined). See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financing-Financing Programs. Investment in the S/ITF is discretionary and component institutions of the University System control the allocation of funds among three investment options: the S/ITF, the STF and collateralized bank and savings and loan certificates of deposit. The participation of the component institutions of the University System in the S/ITF is evidenced by the ownership of units in the S/ITF. Units

in the **S/ITF** are acquired at the net asset value per unit of the **S/ITF** on the date of acquisition and may be liquidated on a weekly basis at the net asset value per unit of the **S/ITF** on the date of liquidation. The investment objectives of the **S/ITF** are to (i) generate a high rate of income and (ii) produce capital appreciation when consistent with the reasonable preservation of principal and the maintenance of adequate liquidity. Pursuant to a written policy of the Board the following specific restrictions apply to the investment of funds comprising the **S/ITF**: (1) all investments in bonds or other evidence of indebtedness shall be issued by or guaranteed by the U.S. government or U.S. government agencies or instrumentalities, except for commercial paper, repurchase agreements and reverse repurchase agreements that otherwise constitute authorized investments; and (2) no preferred or common stocks or other ownership interests or securities convertible into ownership interests may be purchased.

The Board's policy does not specify asset allocation targets for the investment of funds in the **S/ITF**. Set forth in the table below, however, is a quarterly breakdown of the composition of the **S/ITF** since February 28, 1994.

<u>Qtr</u> <u>Ending</u>	<u>Cash</u>	<u>Commercial</u> <u>Paver</u>	<u>Govt. &</u> <u>Agencies</u>	<u>Mortgage</u> <u>Backed</u>
02/28/94	5.7%	22.4%	63.3%	8.6%
05/31/94	3.3%	20.3%	68.8%	7.6%
08/31/94	4.5%	14.4%	12.3%	8.8%
11/30/94	8.2%	9.0%	63.6%	19.2%
2/28/95	25.0%	4.0%	53.0%	18.0%

As of February 28, 1995, 100% of the investment of **S/ITF** funds was managed internally. The book value of the total portfolio of investments held in the **S/ITF** as of February 28, 1995 was \$1,035.6 million and the market value was \$1,014.9 million, indicating an unrealized loss on that date of \$20.7 million. The Board does not anticipate the need to sell any investments in the **S/ITF** prior to their maturity to meet the liquidity needs of the component institutions of the University System or the Commercial Paper Notes.

The Short Term Fund. The **STF** is the designation given by the University System administration to the money market mutual fund known as the Financial Square Prime Obligations Fund, which the Board has approved as an investment for University System funds. The Financial Square Prime Obligations Fund is a series of the Goldman Sachs Money Market Trust, a business trust organized under the laws of the Commonwealth of Massachusetts on December 6, 1978. As of February 28, 1995, the Financial Square Prime Obligations Fund contained assets with a market value of \$4,072 million. The component institutions of the University System and University System administration utilize the **STF** as an investment option when overnight liquidity is the primary investment objective. As of February 28, 1995, the amount of University System funds invested in the **STF** was \$543 million.

Management of the Permanent University Fund. The Board has responsibility for investment of the Permanent University Fund. Pursuant to a written policy of the Board, specific investment decisions with respect to the Permanent University Fund are handled by the Office of Asset Management, as well as unaffiliated investment managers. In addition, the Board's policy imposes the following specific restrictions on the investment of funds comprising the Permanent University Fund: (i) corporate bonds and preferred stocks must be rated a minimum of Baa3 or BBB- by Moody's or S&P, respectively, when purchased unless approved by the Vice Chancellor for Asset Management; (ii) no more than 1% of the book value of the Permanent University Fund may be invested in bonds or preferred stocks rated below

Baa3 or BBB- by Moody's and S&P, respectively, unrated bonds, and unrated preferred stocks that have been purchased but not reviewed by the Asset Management Committee may not exceed 1% of the book value of the Permanent University Fund; (iii) the weighted average maturity of the fixed income portfolio shall not exceed 17.5 years; and (iv) no more than 5% of the voting securities of a corporation may be owned unless specifically authorized by the Vice Chancellor for Asset Management.

Asset allocation within the Permanent University Fund is the responsibility of the Asset Management Committee, and asset allocation targets are subject to change from time to time based on the economic and security market outlook as well as income requirements. The asset classes within the Permanent University Fund, the long term targeted allocation percentages for each asset class and the actual allocation percentages as of February 28, 1995, are set forth below.

<u>Asset Class</u>	<u>Long Term Target</u>	<u>Percentage Allocation (as of 2/28/95)</u>
Unallocated funds	0 %	0 %
Fixed income securities	45%	52%
Equity securities	45%	43%
Alternative Assets	<u>10%</u>	<u>5%</u>
Total Assets	100%	100%

As of February 28, 1995, approximately 66.3% of the investment of Permanent University Fund funds was managed internally and approximately 33.7% was managed externally by unaffiliated investment managers. The book value of the total portfolio of investments held in the Permanent University Fund as of February 28, 1995 was **\$4,276.7 million** and the market value was **\$4,461.0 million**, indicating an unrealized gain on that date of \$184.3.

Amendment of Investment Policies and Procedures. The Board has the right to amend its policies and procedures relating to the management of investments, at its discretion and at any time, subject to applicable State law.

Management of Funds Held in the State Treasury. The Texas Education Code requires that the University System deposit into the State Treasury all funds except those derived from auxiliary enterprises and noninstructional services, agency funds, designated and restricted funds, endowment and other gift funds, and student loan funds. All such funds held in the State Treasury, including the Available University Fund and certain cash balances of the Permanent University Fund, are administered by the State Treasurer. The State Treasurer invests money in the State Treasury in authorized investments consistent with applicable law and the Texas State Treasury Investment Policy, dated August 1993. The State Treasurer pools funds within the State Treasury for investment purposes and allocates investment earnings on pooled funds proportionately among the various State agencies whose funds are so pooled. Currently, most pooled funds are invested in the following instruments: repurchase agreements; reverse repurchase agreements; obligations of the United States and its agencies and instrumentalities; commercial paper having the highest credit rating; and fully-collateralized deposits in authorized State depositories. Approximately 5% of the State Treasury pool is invested in derivative investments. All State Treasury investments are marked to market daily using an external financial service. The Board utilizes the State Treasury primarily as a depository and anticipates that all funds deposited in the State Treasury will be available upon request and will earn interest equal to an allocated share of investment

earnings on pooled funds in the State Treasury. AS of February 28, 1995, the amount of University System funds held by the State Treasury was \$343.9 million.

The State Treasurer, acting primarily through a special purpose trust company, also holds approximately 20 separate accounts outside of the State Treasury. The largest such account is a local government investment pool, known as TexPool, which was established in 1989 as an investment alternative for local governments in the State. The Board is not (and has never been) a participant in TexPool and none of the funds of the University System are invested by the State Treasury in TexPool.

Capital Improvements Planning and Authorization

Planning and authorization of University System capital improvements is governed by a six-year capital improvements program approved by the Board and administered by System Administration. The program approves in principle the expenditure of funds from all sources for capital projects at all component institutions for construction, repair and rehabilitation, land acquisition, equipment and library materials. The program is based on requests for capital projects identified in component institution strategic plans which are reviewed by System Administration. In selecting proposed projects for approval under the program, first priority is given to projects correcting major deficiencies in physical assets supporting on-going programs or correcting deficiencies anticipated to exist as a result of estimated growth in student enrollment, patient care or research activity. Selection of projects for new programs is guided by each component institution's strategic plan and is further based upon a demonstration of overall institutional need for additional space as well as the need for the specific project proposed.

The capital improvements program is revised biennially by the Board. It was last revised in June 1993 to apply through fiscal year 1999, although interim special adjustments to the plan have been made in response to unanticipated needs and opportunities.

New construction projects in excess of \$300,000 and all major repair and rehabilitation projects in excess of \$600,000 approved in principle under the program require further approval during project **development**. Board approval is required for preliminary design plans and total project costs. Responsibility for the completion of plans is delegated by the Board to the Chancellor. In addition, approval from the Coordinating Board is also required (except for projects for The University of Texas at Austin that are predominantly funded with Permanent University Fund bond proceeds) prior to the award of any contracts. See "GENERAL DESCRIPTION OF THE UNIVERSITY OF TEXAS SYSTEM-Coordinating Board." Construction contracts for approved projects are awarded by the Board to the lowest responsible bidder. Construction is monitored by the Office of Facilities Planning and Construction at System Administration together with building committees at component institutions to insure completion of the project as approved.

Debt Management and Anticipated Financing

Responsibility for the management of University System debt obligations is centralized in the Office of Finance within the Office of Business Affairs. Debt is issued pursuant to University System debt capacity analyses and annual funding requirements in accordance with the capital improvements program. Issuance of debt requires approval of the Board and (except for Permanent University Fund bonds) approval by the Texas Bond Review Board. As a general rule, the University System issues debt in large increments to finance system-wide capital improvement cash flow requirements in aggregate as opposed to financing on a project-by-project basis. In addition, the University System generally finances capital improvements initially with short-term debt to minimize **debt** service costs during construction periods. Such short-term debt is refinanced with long-term fixed rate debt when short-term facilities are fully utilized or during periods of low interest rates.

The University System anticipates that it will have additional borrowing needs to supplement funding for its capital improvements program. During the balance of calendar year 1995, the University

System anticipates no borrowing under the Permanent University Fund bond program for capital expenditures. The Supplemental Resolution authorizes the issuance of Parity Debt in the maximum aggregate principal amount of \$232,000,000. The Bonds are the first installment of Parity Debt under the Supplemental Resolution. It is anticipated that the balance of the Parity Debt authorized by the Supplemental Resolution will be issued in several series before August 31, 1996. No other long term Parity Debt is anticipated to be issued in fiscal years 1995 or 1996. Additional issuances of Parity Debt will continue to be made under the Revenue Financing System commercial paper program for equipment and construction needs. See "Financing Programs—Revenue Financing System" below. No bonds have been approved for projects under the Higher Education Assistance Fund bond program. See "Financing Programs-Higher Education Assistance Fund (H.E.A.F.) Bonds" below.

Financing Programs. Article VII, Section 18 of the State Constitution provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the State Legislature, and except in cases of fire or natural disaster, component institutions of the University System (except The University of Texas-Pan American and The University of Texas at Brownsville) may not receive any funds from the general revenues of the State for acquiring, constructing or equipping permanent improvements, or for major repairs or rehabilitations of permanent improvements. The Board, pursuant to constitutional and statutory provisions, is authorized to issue debt in a number of distinct forms with which to finance capital improvements.

Revenue Financing System. Chapter 55 of the Texas Education Code authorizes the Board to issue bonds to acquire or equip facilities (including auxiliary enterprise facilities) for or on behalf of University System component institutions and to pledge all or any part of its revenues, income, fees or other resources to the payment of the bonds. Historically, the Board issued bonds under this authority on an institution-by-institution basis secured exclusively by an individual fee or revenue source or combination thereof. In April, 1990, the Board restructured its debt program by establishing the Revenue Financing System pursuant to the Master Resolution. See "APPENDIX C, SUMMARY OF THE **MASTER RESOLUTION.**" The Revenue Financing System was fully implemented in 1991. The purpose of the Revenue Financing System is to assemble University System revenue bond debt capacity into a single financing program, to provide a cost-effective debt program to the Members and to maximize the financing options available to the Board. Under the Master Resolution, the Board has, with certain exceptions, combined all of the revenues, funds and balances attributable to Members of the Revenue Financing System and lawfully available to secure revenue bonds and pledged the combined revenues, funds and balances as Pledged Revenue to secure payment of Parity Debt issued under the Master Resolution. The revenues, funds and balances excluded from Pledged Revenues are described within the definition of "Pledged Revenues" contained in "APPENDIX A, GLOSSARY OF TERMS."

All of the institutions currently constituting components of the University System have been included as Members of the Revenue Financing System. The Master Resolution permits the Board to make additions to or deletions from the membership of the Revenue Financing System subject to the satisfaction of certain conditions specified therein.

Under Board regulations, administration of the Revenue Financing System is the shared responsibility of the Office of Business Affairs and each Member of the Revenue Financing System. The guiding principle underlying the administration of the Revenue Financing System is that allocations of Parity Debt proceeds for capital improvements at a Member shall be contingent upon a Board determination that the Member can prudently satisfy its proportionate share of the outstanding Parity Debt attributable to such Member with such Member's financial resources. All capital improvement projects proposed to be funded in part or in whole with Parity Debt must receive a recommendation for allocation of Parity Debt from the Office of Business Affairs prior to being approved by the Board for inclusion in the capital improvements

program. Such recommendations are given **upon** the completion of a financial evaluation concluding that such Member can prudently satisfy its Direct Obligation.

In establishing the annual budget of each Member of the Revenue Financing System, the Board includes as the Annual Obligation of the Member the amount necessary to provide for the satisfaction by the Member of its proportionate share of debt service due by the Board in such budget year on outstanding Parity Debt, plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct Obligation payment. Each Member's proportionate share of outstanding Parity Debt and its Annual Obligation is evidenced by a financing agreement between the Board and each Member. See "DESCRIPTION OF THE REVENUE FINANCING SYSTEM."

In 1991, pursuant to the Second Supplemental Resolution to the Master Resolution, the Board issued its Revenue Financing System Refunding Bonds, Series 1991A, 1991B and 1991C in the aggregate principal amount of **\$282,725,000**, now outstanding in the aggregate principal amount of **\$241,775,000**, to refund most of its then outstanding debt as a part of implementing the Revenue Financing System. Under the Amended and Restated First Supplemental Resolution to the Master Resolution (the "First Supplement"), the Board has authorized its Revenue Financing System Commercial Paper Notes, Series A (the "Commercial Paper Notes"), to provide interim financing for capital improvements and to finance equipment purchases for Members of the Revenue Financing System. **The** Commercial Paper Notes constitute Parity Debt under the Master Resolution. The First Supplement authorizes the Board to issue Commercial Paper Notes in a maximum aggregate principal amount outstanding at any one time of **\$250,000,000**. The Commercial Paper Notes must mature on or before April 1, 2020 and have a term of 270 days or less. There is no external bank liquidity support for the University System's obligation to pay the Commercial Paper Notes upon their maturities. The liquidity support is provided by funds of the component institutions of the University System pooled to create a short/intermediate term investment fund (previously defined as the "**S/ITF**"). See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Investment Policy and Procedures-Investment Programs-The Short/Intermediate Term Fund."

In an agreement between the Office of Asset Management and the Office of Business Affairs, the maximum amount of Commercial Paper Notes which may mature on any business day is limited to \$25 million. In addition, in the event that the net asset value of the **S/ITF** shall decline to an amount less than \$875 million and be expected by the Office of Asset Management to remain below that amount for a period of 30 days, a liquidity agreement will be acquired from a third party for an amount that will limit the **S/ITF's** purchase commitment to \$150 million. The First Supplement authorizes the University System's obligations under any such liquidity agreement with a third party to constitute Parity Debt.

On October 8, 1993, the Board adopted a resolution amending the Master Resolution which expanded the definition of Pledged Revenues to include the Pledged General Tuition. As a result, the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986; the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, New Series 1992; and the Refunded Bonds became Prior Encumbered Obligations, and the tuition charges pledged to the payment of such general tuition bonds constitute Prior Encumbered Tuition. In addition, the Board has outstanding **\$24,585,000** in principal amount of The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986, which are secured by and payable from sources other than Pledged Revenues; provided, that the Board has covenanted to collect a special student fee from all students (with certain exceptions) enrolled at **The** University of Texas at Austin if necessary to pay the debt service on such bonds. The Board has never collected the pledged fee and does not presently anticipate doing so. If the fee were ever collected, the collections would constitute Pledged

Revenues; such bonds, however, would have a lien on the collections that is prior to the lien of the Master Resolution. In that event, such bonds would become Prior Encumbered Obligations. Of the Prior Encumbered Obligations, the University System is only providing for the refunding of the Refunded Bonds by the issuance of the Bonds.

Permanent University Fund Bonds. Article VII, Section 18 of the State Constitution authorizes the Board to issue bonds and notes, payable from all or part of its interest in the Available University Fund in an aggregate amount not exceeding, at the time of issuance, 20% of the cost value of Permanent University Fund assets, excluding real estate. Proceeds may be used for the purpose of (i) acquiring land with or without permanent improvements, (ii) constructing and equipping buildings or other permanent improvements, (iii) making major repairs and rehabilitations and other permanent improvements, (iv) acquiring capital equipment, library books and library materials, and (v) refunding bonds or notes issued under said section or prior law, at or for System Administration and the component institutions of the University System (except The University of Texas-Pan American and The University of Texas at Brownsville). Proceeds may not be used to finance permanent improvements of auxiliary enterprises.

As of May 1, 1995, the Board's constitutionally authorized Permanent University Fund bond capacity was \$_____ and bonds and notes issued and outstanding under this limit were \$_____.

Higher Education Assistance Fund (H.E.A.F.) Bonds. The University of Texas-Pan American and The University of Texas at Brownsville are ineligible to receive proceeds from Permanent University Fund bonds until such time as the State Constitution is amended to provide otherwise. Pursuant to the Higher Education Assistance Fund Program, The University of Texas-Pan American and The University of Texas at Brownsville are qualified to receive an annual allocation from amounts constitutionally appropriated to institutions of higher education that are not entitled to participate in Permanent University Fund bond financing in order to fund permanent improvements (except those for auxiliary enterprises). Under this constitutional provision, the Board is authorized to issue bonds and notes to finance permanent improvements at The University of Texas-Pan American and The University of Texas at Brownsville, and to pledge up to 50% of its allocation to secure the payment of principal of and interest on the bonds and notes. As of May 1, 1995, the University System had no bonds or notes issued or outstanding under this program.

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Outstanding Indebtedness. As of May 1, 1995, the Board had the following outstanding indebtedness under ail of its financing programs:

Revenue Financing System Bonds:“(
Refunding Bonds, Series 1991A	\$152,660,000
Refunding Bonds, Series 1991B	85,975,000
Refunding Bonds, Series 1991C	<u>3,140,000</u>
Subtotal	\$241,775,000
Revenue Financing System Commercial Paper Notes?	
Series A	\$ _____
Subtotal	\$ _____
Tuition Bonds: ⁽¹⁾	
General Tuition Revenue Refunding Bonds, Series 1986	\$ 17,525,000
General Tuition Revenue Refunding Bonds, New Series 1992	34,625,000
Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986 ⁽³⁾	<u>5,060,000</u>
Subtotal	\$ 57,210,000
Building Revenue Bonds:“(
The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986	\$ 24,585,000
Subtotal	\$ 24,585,000
Permanent University Fund Bonds:	
Refunding Bonds, Series 1985	\$10,520,000
Refunding Bonds, Series 1988	58,000,000
Refunding Bonds, Series 1991	232,830,000
Refunding Bonds, Series 1992A	196,015,000
Refunding Bonds, Series 1992B	77,745,000
Variable Rate Notes, Series A	<u>40,000,000</u>
Subtotal	\$615,110,000
Total	\$ _____

⁽¹⁾ See “**FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financing-Financing Programs-Revenue Financing System.**”

⁽²⁾ The Board is authorized to issue the Commercial Paper Notes in a maximum aggregate principal amount outstanding at any one time of **\$250,000,000**. See “**FINANCIAL MANAGEMENT’ OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Antidipated Financing-Financing Programs-Revenue Financing System.**” Certain of the Board’s outstanding Commercial Paper Notes are being refunded by the Bonds.

⁽³⁾ Proceeds from the issuance of the Bonds will be used to defease these bonds in their entirety.

Insurance

Since September 1, 1971, it has been the policy of the State and the Board that property insurance coverage will not be obtained for any buildings or contents under the control of the Board unless such building produces revenues which are pledged to secure bonds and coverage is required by the applicable bond documents.

It is the stated policy of the State and the Board not to acquire commercial general liability insurance for torts committed by employees of the State who are acting within the scope of their employment. One exception to this policy authorizes the Board to acquire commercial automobile insurance for the use and benefit of its employees who operate state-owned motorized vehicles and special equipment. The Board has established a Medical Liability Self-Insurance Fund to provide malpractice insurance coverage for staff physicians, students, residents and fellows at Health Institutions. See "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Fund Balances-Agency Funds."

Employees of the University System are provided Worker's Compensation coverage under a self-insuring, self-managed program as authorized by State law.

Retirement Plans

The University System participates in the State's joint contributory retirement plans which are established for substantially all State employees. The contributory percentages currently provided by the State and by each participant are 7.31% and 6.4%, respectively, of annual compensation.

The Teacher Retirement System of Texas, one of the primary plans, does not separately account for each of its component governmental agencies, since the retirement system bears sole responsibility for retirement commitments beyond contributions fixed by the State Legislature. According to an independent actuarial evaluation as of February 28, 1995, the present value of the retirement system's actual and projected liabilities, including projected benefits payable to its retired and active members and their beneficiaries, was in excess of the assets of the retirement system. However, the actuary projected that such assets, augmented by projected future contributions and earnings, would be sufficient to amortize the unfunded difference over a period of 18 years. Further information regarding actuarial assumptions and conclusions, together with audited financial statements, is included in the retirement system's annual financial report.

The State has also established an optional retirement program for institutions of higher education. This program, now known as the Optional Retirement Program (the "Optional Retirement Program"), is a defined contribution plan authorized under section 403(b) of the Code. Participation in the Optional Retirement Program is in lieu of participation in the Teacher Retirement System. The combined contributory percentage currently provided by the State and the University System is 8.5% of annual compensation and the contributory percentage currently provided by each participant is 6.65% of annual compensation. The Optional Retirement Program provides for the purchase of annuity contracts and mutual funds. Because the Optional Retirement Program is a defined contribution plan, the State and the University System have no additional or unfunded liability for this program.

The retirement expenses to the State for the University System was \$283,412,770 for the fiscal year ended August 31, 1994. This amount represents the portion of expended appropriations made by the State Legislature on behalf of the University System.

ABSENCE OF LITIGATION

Neither the Board nor the University System is a party to any litigation, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, in any court,

governmental agency, public board or body or before any arbitrator or before any governmental body which, if decided adversely to such parties, would have a material adverse effect on the Pledged Revenues or on the business, properties or assets or the condition, financial or otherwise, of the University System, and no litigation of any nature has been filed or threatened which seeks to restrain or enjoin the establishment of the Revenue Financing System, the issuance or delivery of the Bonds or the collection or application of Pledged Revenues to pay the principal of and interest on the Bonds, or in any manner questioning the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of each series of Bonds are subject to approval of legality by the Attorney General of the State and of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel to the Board, whose opinion will be printed on the Bonds. Attached hereto as APPENDIX D is the form of opinion that Bond Counsel will render in connection with the issuance of the Bonds. 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 its capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "SOURCES AND APPLICATIONS OF FUNDS," "DESCRIPTION OF THE BONDS," "DESCRIPTION OF THE REVENUE FINANCING SYSTEM," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," and APPENDICES A and B (except for financial and statistical data under such captions), and such firm is of the opinion that the information contained under such captions and in such appendices is a fair and accurate summary of the information purported to be shown. 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 Vinson & Elkins L.L.P., Austin and Houston, Texas, and for the University System by Lannen & Oliver, P.C., Dallas, Texas.

TAX MATTERS

Opinion

On the date of the initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel, will render their opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See "APPENDIX D, FORM OF BOND COUNSEL OPINION."

In rendering their opinion, Bond Counsel will rely upon (a) the Issuer's no-arbitrage certificate and the verification report prepared by KPMG Peat Marwick, and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The law upon which Bond Counsel have based their opinion is subject to change by Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

Federal Income Tax Accounting Treatment of the Original Issue Discount

The underwriters have represented that the initial public offering price to be paid for certain of the Bonds, as stated on the cover of the Official Statement (the "Original Issue Discount Bonds"), is less than the principal amount thereof. 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 any Original Issue Discount Bond in the initial public offering of the Bonds. Under existing law, 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. For a discussion of certain collateral federal tax consequences, see "Collateral Federal Income Tax Consequences" below.

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.

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 basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in 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 Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, 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 the treatment 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.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with Subchapter C earnings and profits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bond will be included as an adjustment for “adjusted earnings and profits” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent of taxable income exceeding \$175,000), of the taxpayer’s “alternative minimum taxable income,” if the amount of such alternative minimum tax is greater than the taxpayer’s regular income tax for the taxable year.

Interest on the Bonds is includable in the “alternative minimum taxable income” of a corporation (other than a regulated investment company or a real estate investment trust) for purposes of determining the **environmental** tax imposed by section 59A of the Code. Section 59A of the Code imposes on a corporation an environmental tax, in addition to any other income tax imposed by the Code, equal to 0.12 percent of the excess of the modified alternative minimum taxable income of such corporation for the taxable year over \$2,000,000.

Interest on the Bonds may be subject to the “branch profits tax” imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporations doing business in the United States.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de **minimis** amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issue at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 717k, Vernon’s Annotated Texas Civil Statutes, 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, Chapter 2256, Texas Government Code, 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 KPMG Peat **Marwick**, independent certified public accountants, of a report of the mathematical accuracy of certain computations relating to (a) 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 redemption premium, if any, and interest on the Refunded Obligations and (b) 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 opinion described herein.

RATINGS

Fitch Investors Service, Moody's and S&P, a division of McGraw Hill, Inc. have assigned ratings of __, __ and __, respectively, 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 either rating 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 \$_____. 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.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, unaudited primary 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 statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Assistant Vice Chancellor for Finance
The University of Texas System

The University of Texas System
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APPENDIX A

GLOSSARY OF TERMS

GLOSSARY OF TERMS

As used in this Official Statement, the following terms and expressions have the meanings set forth below:

Annual Direct Obligation means the amount budgeted each fiscal year by the Board with respect to each Member of the Revenue Financing System to satisfy the Member's proportion of debt service (calculated based on the Member's Direct Obligation) due by the Board in such fiscal year on outstanding Parity Debt.

Annual Obligation means, with respect to each Member of the Revenue Financing System and for each fiscal year, the Member's Annual Direct Obligation plus the amount budgeted by the Board for such fiscal year to allow the Member to retire its obligation for any intra-system advances made to it to satisfy part or all of a previous Annual Direct Obligation payment.

Board Representative means one or more of the following officers or employees of the University System, to-wit: the Chancellor, any Executive Vice Chancellor, the Vice Chancellor and General Counsel, the Assistant Vice Chancellor for Finance, the Assistant Vice Chancellor and Controller, the Director of Finance, or such other officer or employee of the University System authorized by the Board to act as a University Representative.

Credit Agreement means, collectively, a loan agreement, revolving credit agreement, agreement establishing a line of credit, letter of credit, reimbursement agreement, insurance contract, commitments to purchase Parity Debt, purchase or sale agreements, interest rate swap agreements, or commitments or other contracts or agreements authorized, recognized and approved by the Board as a Credit Agreement in connection with the authorization, issuance, security, or payment of Parity Debt and on a parity therewith.

Direct Obligation means the proportionate share of outstanding Parity Debt attributable to and the responsibility of each respective Financing System Member of the Revenue Financing System.

Health Institutions means The University of Texas Southwestern Medical Center at Dallas, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at San Antonio, The University of Texas M.D. Anderson Cancer Center, The University of Texas Health Center at Tyler, and any other health institutions which become part of the University System and are hereafter made a Member of the Revenue Financing System.

Master Resolution means the Amended and Restated Master Resolution of the Board adopted on February 14, 1991 establishing the Revenue Financing System, as amended by the Board on October 18, 1993.

Member means each of the institutions currently constituting components of the University System and such institutions hereafter designated by the Board to be Members of the Revenue Financing System.

Parity Debt means all indebtedness of the Board which may be issued or assumed in accordance with the terms of the Master Resolution and a supplement thereto, secured by a pledge of the Pledged Revenues subject only to the liens securing Prior Encumbered Obligations.

Paying Agent shall mean the entity designated in accordance with the Supplemental Resolution as the Paying Agent for the Bonds, initially the Treasurer of the State of Texas.

Pledged General Fee means the gross collections of a student use fee to be fixed, charged and collected pursuant to Section 55.16, Texas Education Code, from the students (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the supplemental resolution providing for such issue or series of Parity Debt, is exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Revenue Financing System, respectively, for the general use and availability of such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in the Master Resolution. Under current law, the student use fee may not exceed \$12 per semester credit hour unless a higher fee is required to pay the principal of and interest on outstanding Parity Debt and other outstanding revenue-supported indebtedness of the Bond secured by and payable from such fee. Currently, each regularly enrolled student (with the exception described in the Resolution) at each component of the University System is charged the maximum student use fee of \$12 per semester credit hour, except for regularly enrolled students at The University of Texas at Arlington which are charged a use fee of \$10 per semester hour.

Pledged General Tuition means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter operated by or under the jurisdiction of the Board, but specifically excluding and excepting (1) the amount of tuition scholarships now provided for by law, and (2) the Pledged Tuition Fees; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Parity Debt shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

Pledged Practice Plan Funds means that portion of the Practice Plan Funds of a Health Institution now or hereafter constituting a Member of the Revenue Financing System which has been pledged to the payment of Parity Debt by the Board by the adoption of an amendment to the Master Resolution; provided, however, that any such pledge may be limited in amount and in any manner, extent or duration as provided in such amendment. The Board pledged \$4300,000 from the Practice Plan Funds from The University of Texas Southwestern Medical Center at Dallas commencing in the fiscal year in which Parity Debt was first issued for the project and ending when such Health Institution's Direct Obligation relating to the project for which such pledge was made has been fully paid and satisfied. Except as provided above, Pledged Revenues do not currently include any other Practice Plan Funds.

Pledged Revenues means, subject to the provisions of the Prior Encumbered Obligations, collectively (i) the Pledged Tuition Fee, (ii) the Pledged General Fee, (iii) the Pledged Practice Plan Funds, (iv) the Pledged General Tuition, and (v) any or all of the revenues, funds, and balances now or hereafter lawfully available to the Board and derived from or attributable to any Member of the Revenue Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a supplement to the Master Resolution: (a) the interest of the University System in the Available University Fund under Article VII, Section 18 of the State Constitution, including the income therefrom and any fund balances relating thereto (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Fund Balances-Available University Fund"); (b) amounts received on behalf of any Member under Article VII, Section 17 of the State Constitution, including the income therefrom and any fund balances related thereto (see "FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Debt Management and Anticipated Financings-Financing

Programs-Higher Education Assistance Fund (H.E.A.F.) Bonds”); (c) except to the extent so appropriated, general revenue funds appropriated to the Board by the State Legislature (see “FINANCIAL MANAGEMENT OF THE UNIVERSITY OF TEXAS SYSTEM-Current Funds-Unrestricted Current Funds Revenues-State Appropriations”); and (d) Practice Plan Funds of any Member, including the income therefrom and any fund balances relating thereto not included in Pledged Practice Plan Funds.

Pledged Tuition Fee means, as authorized by Section 55.17, Texas Education Code, the following specified amounts (or such increased amounts as hereafter authorized by law) out of the tuition charges now or hereafter required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Revenue Financing System (excepting the Health Institutions until and unless the Board authorizes the pledge of such tuition charges at any such institution to the payment of Parity Debt) and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

\$5.00 from each enrolled student for each regular semester and \$2.50 from each enrolled student for each summer term of each summer session.

Practice Plan means any agreement entered into by and between a Health Institution Member and faculty appointees of that Member that: (a) assigns to the Member patient fees collected for professional services rendered by the appointee and (b) regulates the collection and expenditure of such patient fees. Practice Plan also includes such agreements existing between an institution which becomes a Member after the date of the adoption of the Resolution and such institution’s faculty.

Practice Plan Funds means the Practice Plan income and fund balances of a Health Institution Member.

Prior Encumbered General Fee means the Pledged General Fee securing Prior Encumbered Obligations and that portion of the student use fee charged and collected at an institution which becomes a Member of the Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

Prior Encumbered General Tuition means the Pledged General Tuition securing Prior Encumbered Obligations and the tuition charges in the maximum amount permitted in the definition of Pledged General Tuition charged and collected at an institution which becomes a Member of the Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

Prior Encumbered Obligations means the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, New Series 1992, the Pan American University Tuition Revenue Refunding Bonds, Series 1986, and those bonds or other obligations of an institution outstanding on the date it becomes a Member of the Financing System and which are secured by alien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee, the Prior Encumbered General Tuition, and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by the Master Resolution on behalf of Parity Debt.

Prior Encumbered Practice Plan Funds means the Pledged Practice Plan Funds which are pledged to the payment of bonds or other obligations of an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Resolution.

Prior Encumbered Revenues means the revenues pledged to the payment of Prior Encumbered Obligations and the revenues of any revenue producing system or facility of an institution which hereafter becomes a Member of the Revenue Financing System and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Revenue Financing System.

Prior Encumbered Tuition Fee means the Pledged Tuition Fee securing Prior Encumbered Obligations and that portion of the tuition charges in the maximum amount permitted in the definition of Pledged Tuition Fee charged and collected at an institution which becomes a Member of the Revenue Financing System after the date of adoption of the Master Resolution and which are pledged to the payment of bonds or other obligations outstanding on the date such institution becomes a Member of the Financing System.

Registrar means the Board.

Resolution means, collectively, the Master Resolution and the Supplemental Resolution.

State means the State of Texas.

Supplemental Resolution means the Third Supplemental Resolution to the Master Resolution adopted by the Board on May 11, 1995, providing for the issuance of the Bonds.

APPENDIX B

SUMMARY OF THE MASTER RESOLUTION

SUMMARY OF THE MASTER RESOLUTION

Establishment of the Revenue Financing System

The Board has established the Revenue Financing System for the purpose of providing a system-wide financing structure for revenue-supported indebtedness of component institutions of the University System included as Members of the Revenue Financing System. The Master Resolution establishes a master plan under which revenue-supported, indebtedness of the Revenue Financing System can be incurred. Each issue or series of Parity Debt is to be provided for under a supplemental resolution consistent with the provisions of the Master Resolution.

Security and Pledge: Membership in the Revenue Financing System

Subject to the provisions of resolutions authorizing Prior Encumbered Obligations, Parity Debt issued under the Master Resolution is payable from and secured by a lien on all Pledged Revenues. The Board has assigned and pledged the Pledged Revenues to the payment of the principal of and interest on Parity Debt and to the establishment and maintenance of any funds that may be created under the Master Resolution or a supplemental resolution to secure the repayment of Parity Debt. The Board may additionally secure Parity Debt with one or more Credit Agreements.

All of the institutions currently constituting components of the University System have been included under the Master Resolution as Members of the Revenue Financing System. If an additional institution hereafter becomes a component of the University System, the Board may include the new component as a Member of the Revenue Financing System. In that event, the lien on and pledge of Pledged Revenues established pursuant to the Master Resolution and effective when such institution becomes a Member of the Revenue Financing System will apply to the revenues, funds and balances of such Member that constitute Pledged Revenues; provided, that, if at the time a new Member is admitted, it has outstanding debt obligations secured by any of such sources, such obligations will constitute Prior Encumbered Obligations of the Board secured by a lien on the portion of the Pledged Revenues providing such security which is superior to the lien established by the Master Resolution on behalf of Parity Debt. The Board has reserved the right to refund Prior Encumbered Obligations with the proceeds of refunding bonds issued as Prior Encumbered Obligations secured by the same sources as the sources securing the refunded Prior Encumbered Obligations. Otherwise, while any Parity Debt is outstanding, the Board has agreed not to issue additional obligations on a parity with any Prior Encumbered Obligations.

Rate Covenant

The Board has covenanted in the Master Resolution that in each fiscal year it will establish, charge and use its reasonable efforts to collect at each Member the Pledged Tuition Fee, the Pledged General Fee, the Pledged Practice Plan Funds (but only to the extent the Practice Plan Funds are pledged to secure Parity Debt) and other rates, fees, and charges for goods and services furnished by, and for the use of, properties of the Revenue Financing System, which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Revenue Financing System including all deposits or payments due on or with respect to outstanding Parity Debt for such fiscal year.

Annual and Direct Obligation of Members

The Master Resolution provides that each Member of the Revenue Financing System is responsible for its Direct Obligation. The Board covenants in the Master Resolution that in establishing the annual budget for each Member of the Revenue Financing System, it will provide for the satisfaction by each Member of its Annual Obligation. Each Member's Direct Obligation and Annual Obligation shall be evidenced by a financing agreement between the Board and each Member.

Pledged General Fee

The Board has covenanted and agreed at all times to maintain and collect the **Pledged General Fee** in such amounts, without limitation (other than as provided in the next to the last sentence of the following paragraph), as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money to make or pay the principal of, interest on, and other payments or deposits with respect to outstanding Parity Debt when and as required. The Board has agreed that the Pledged General Fee will be adjusted to provide Pledged Revenues sufficient to make when due all payments and deposits in connection with outstanding Parity Debt. The Board may fix and collect the Pledged General Fee in any manner it may determine within its discretion and in different amounts from students enrolled in different Members. In addition, if and for any period during which total Pledged Revenues, together with other legally available funds, are sufficient to meet all of the Board's financial obligations of the Revenue Financing System, the Board may suspend the collection of the Pledged General Fee from the students enrolled in any Member.

The Board has covenanted that if it determines that Pledged Revenues and other legally available funds are not anticipated to be sufficient to meet all of its financial obligations relating to the Revenue Financing System, including all deposits and payments coming due on outstanding Parity Debt, or that any Member will be unable to pay its Annual Direct Obligation in full, the Pledged General Fees will be adjusted, effective at the next regular semester or semesters or Summer term or terms, to an amount, without any limitation (other than as provided in the next to the last sentence of this paragraph), at least sufficient to provide, together with other Pledged Revenues and legally available funds, the money for paying when due all financial obligations of the Board relating to the Revenue Financing System, including all payments and deposits with respect to outstanding Parity Debt. Any adjustment in the rate of the Pledged General Fee of any of the Members will be based upon the certificate and recommendation of a University Representative delivered to the Board, as to the rates and anticipated collection of the Pledged General Fee at the various Members (after taking into account the anticipated effect the proposed adjustment would have on enrollment and the receipt of Pledged Revenues and other funds of such Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being sufficient (to the extent possible) to satisfy the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Revenue Financing System, including all deposits and payments due on or in connection with outstanding Parity Debt when and as required. Notwithstanding the foregoing, it is recognized that certain Members do not and will not enroll students, and, therefore, the Board will not levy or collect the Pledged General Fee at such Members.

Under the Master Resolution, the Board has excepted from the Pledged General Fee, with respect to any particular series or issue of Parity Debt, collections from any student permitted by the Texas Education Code to be exempted (currently, any student for whom payment would cause an undue economic hardship, as long as the total number of students exempted does not exceed 5% of the total enrollment at any Member) as of the date on which the issue of Parity Debt is authorized.

General Covenants

In the Master Resolution, the Board has covenanted that it will (a) make available to the Paying Agent or other paying agent, on or before each payment date, money sufficient to pay the principal of and the premium, if any, and interest on all Parity Debt as it becomes due and payable and the fees and expenses related to the Parity Debt, including the fees and expenses of the paying agent and any registrar, trustee, remarketing agent, tender agent or credit provider; (b) faithfully perform all covenants and undertakings under the Master Resolution and each supplemental resolution; (c) cause all Parity Debt to be called for redemption and redeemed prior to maturity, to the extent required under the provisions of the Master Resolution or any supplemental resolution; (d) maintain all real and tangible property of the Revenue Financing System in good condition, repair and working order and not impair or permit any impairment of the Revenue Financing System; (e) not incur additional debt secured by the Pledged

Revenues, except as Parity Debt permitted under the Master Resolution or as debt that is junior and subordinate in all respects to the liens, pledges and covenants of the Master Resolution and any supplemental resolution; (f) invest and secure money in all funds and accounts established under the Master Resolution and any supplemental resolution as prescribed by law and the policies of the Board; (g) keep proper books of record and account relating to all dealings, activities and transactions of the Board; (h) permit any owner or owners of at least 25% of the principal amount of the then outstanding and unpaid principal amount of Parity Debt to inspect the records and accounts of the Board relating to the University System; and (i) provide for the satisfaction by each Member of its Annual Obligation. In addition, the Board has warranted that it lawfully owns and has title to or lawfully possesses the lands, buildings and facilities constituting the University System, that it will defend the title to all properties that become a part of the Revenue Financing System and that it is lawfully qualified to pledge the Pledged Revenues in the manner prescribed in the Master Resolution and has exercised such right.

Additional Parity Debt: Non-Recourse Debt and Subordinated Debt

In the Master Resolution, the Board reserves the right to issue or incur additional Parity Debt for any purpose authorized by law. The Board may incur, assume, guarantee or otherwise become liable in respect of additional Parity Debt if the Board determines that it will have sufficient funds to meet the financial obligations of the University System, including sufficient Pledged Revenue to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System.

In addition, the Board covenants not to issue or incur Parity Debt unless (i) it determines that the Member or Members for whom Parity Debt is being issued or incurred possess the financial capacity to satisfy their respective Direct Obligations after taking into account the then proposed additional Parity Debt, and (ii) a University Representative delivers to the Board a certificate stating that, to the best of his or her knowledge, the Board is in compliance with all covenants contained in the Master Resolution and any supplemental resolution authorizing outstanding Parity Debt, and is not in default in the performance and observance of any of the terms, provisions and conditions thereof.

The Board has reserved the right to issue without limit debt secured by a lien other than a lien on Pledged Revenues and debt which expressly provides that all payments thereon shall be subordinated to the timely payment of all Parity Debt.

Waiver of Covenants

The Board may omit in any particular instance to comply with any covenant or condition set forth above as a general covenant or with its rate covenant (see "Rate Covenant" in this APPENDIX B), its covenants relating to issuance of Parity Debt (see "Additional Parity Debt" in this APPENDIX B), its covenants governing disposition of Member assets (see "Disposition of Member Assets" in this APPENDIX B) or its covenants relating to admission and release of Members (see "Changes in Membership of the Revenue Financing System" in this APPENDIX B) if the holders of at least 51% of all Parity Debt outstanding shall waive such compliance.

Disposition of Member Assets

In the Master Resolution, the Board has reserved the rights to convey, sell or otherwise dispose of any properties of the Board attributable to a Member of the Revenue Financing System, provided that:

- (i) such disposition shall occur in the ordinary course of business of the Member of the Revenue Financing System responsible for such properties; or
- (ii) the Board determines that after the disposition, the Board shall have sufficient funds during each fiscal year to meet the financial obligations of the University

System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all other financial obligations of the Board relating to the Revenue Financing System.

Changes in Membership of the Revenue Financing System

The Master Resolution recognizes that the State may combine or divide Member institutions and provides that so long as the combined or divided institutions continue to be governed by the Board such action shall not violate the Master Resolution or require any amendment thereof. The Master Resolution also provides that a Member institution or portion thereof may be closed and abandoned by law or otherwise removed from the Revenue Financing System (thus deleting the revenues, income, funds and balances attributable to such Member or portion thereof from Pledged Revenues) without violating the Master Resolution upon satisfaction of the following requirements:

(i) the Board specifically finds (based upon a certificate signed by a University Representative) that after the release of the Member or portion thereof, the Board will have sufficient funds during each fiscal year in which Parity Debt shall thereafter be outstanding to meet the financial obligations of the University System, including sufficient Pledged Revenues to satisfy the annual debt service requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System; and

(ii) the Board shall have received an opinion of legal counsel acceptable to the Board stating that such release will not affect the status for federal income tax purposes of interest on any outstanding Parity Debt and that all conditions precedent provided in the Master Resolution or any supplement thereto relating to such release have been complied with; and

(iii) (a) if the Member or portion thereof to be released is to remain under the governance and control of the Board, the Board must either (1) provide from lawfully available funds, including Pledged Revenues attributable to the withdrawing Member, for the payment or discharge of that Member's Direct Obligation; or (2) pledge to the payment of Parity Debt, additional resources not then pledged in an amount sufficient to satisfy the withdrawing Member's Direct Obligation; or

(b) if the Member or portion thereof to be released is no longer to be under the governance and control of the Board, the Board must receive a binding obligation of the new governing body of the withdrawing institution or portion thereof, obligating the new governing body to make payments to the Board at the times and in the amounts equal to the withdrawing Member's Annual Obligation or to pay or discharge that Member's Direct Obligation, or, in the case of a portion of a Member being withdrawn, the portion of the Member's Annual Obligation or Direct Obligation, as the case may be, attributable to the withdrawing portion of the Member.

Special Obligations: Absolute Obligation to Pay Parity Debt

The Master Resolution provides that all Parity Debt and the interest thereon shall constitute special obligations of the Board payable from the Pledged Revenues, and the owners thereof shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Master Resolution or any supplemental resolution. The obligation of the Board to pay or cause to be paid the amounts payable under the Master Resolution and each supplemental resolution out of the Pledged Revenues shall be absolute, irrevocable, complete, and unconditional, and the amount, manner and time of payment of such amounts shall not be decreased,

abated, rebated, setoff, reduced, abrogated, waived, diminished, or otherwise modified in any manner or to any extent whatsoever.

Remedies

Any owner of Parity Debt in the event of default in connection with any covenant contained in the Master Resolution or in any supplemental resolution, or default in the payment of Parity Debt, or of any interest due thereon, or other costs and expenses related thereto, may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Master Resolution or any supplemental resolution, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings in any court of competent jurisdiction against the Board, its officials and employees, or any appropriate official of the State.

Defeasance of Parity Debt

Any Parity Debt and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Debt") within the meaning of the Master Resolution, except that the Board must provide for the services of the Paying Agent or other paying agent, when the payment of all principal and interest payable with respect to such Parity Debt 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 provision for the giving of same having been made) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the paying agent for such Parity Debt for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) noncallable Government Obligations (as defined below) which 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 each such paying agent for the payment of its services until after all Defeased Debt shall have become due and payable. At such time as Parity Debt shall be deemed to be Defeased Debt, such Parity Debt and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer, and exchange. Any money deposited with or made available to a paying agent as described in this paragraph may, at the written direction of the Board, also be invested in Government Obligations maturing in the amounts and times as described above, and all income from such Government Obligations received by the paying agent for an issue of Parity Debt which is not required for the payment of the Parity Debt and interest thereon, with respect to which such money has been so deposited, is to be turned over to the Board, or deposited as directed in writing by the Board. As used in this paragraph, the term "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, which may be in book-entry form.

Amendments of Master Resolution

Amendments Without Consent. The Master Resolution and the rights and obligations of the Board and of the owners of the outstanding Parity Debt may be modified or amended at any time without notice to or the consent of any owner of the outstanding Parity Debt, solely for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the Board contained in the Master Resolution, other covenants and agreements thereafter to be observed, or to

surrender any right or power reserved to or conferred upon the Board in the Master Resolution;

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

(iii) to supplement the security for the outstanding Parity Debt, including, but not limited to, amending the definition of Pledged Revenues to add a portion or all of the Practice Plan Funds attributable to any Member (one or more) to Pledged Revenues; provided, however, any amendment to the definition of Pledged Revenues which results in the pledge of Practice Plan Funds may limit the amount of such pledge and the manner, extent and duration of such additional pledge all as set forth in such amendment; or

(iv) to make such other changes in the provisions of the Master Resolution as the Board may deem necessary or desirable and which shall not, in the judgment of the Board, materially adversely affect the interests of the owners of outstanding Parity Debt; or

(v) to make any changes or amendments requested by any bond rating agency then rating or requested to rate Parity Debt, as a condition to the issuance or maintenance of a rating, which changes or amendments do not, in the judgment of the Board, materially adversely affect the interests of the owners of the outstanding Parity Debt.

Amendments With Consent. Subject to the other provisions of the Master Resolution, the owners of outstanding Parity Debt aggregating 51% in Outstanding Principal Amount shall have the right from time to time to approve any other amendment to the Master Resolution which may be deemed necessary or desirable by the Board; provided, however, that nothing contained in the Master Resolution shall permit or be construed to permit, without the approval of the owners of all of the outstanding Parity Debt, the amendment of the terms and conditions in the Master Resolution so as to:

(i) grant to the owners of any outstanding Parity Debt a priority over the owners of any other outstanding Parity Debt; or

(ii) materially adversely affect the rights of the owners of less than all Parity Debt then outstanding; or

(iii) change the minimum percentage of owners of the Outstanding Principal Amount of Parity Debt necessary for consent to such amendment.

For purposes of determining whether the requisite owners of outstanding Parity Debt have approved a proposed amendment, "Outstanding Principal Amount" means, with respect to all Parity Debt or to a series of Parity Debt, the outstanding and unpaid principal amount of such Parity Debt paying interest on a current basis and the outstanding and unpaid principal and compounded interest on such Parity Debt paying accrued, accreted or compounded interest only at maturity as of any record date established by the Registrar in connection with a proposed amendment or supplement to the Master Resolution.

Notice. If at any time the Board should desire to amend the Master Resolution with the consent of the owners of Parity Debt, the Board is required to cause notice of the proposed amendment to be published in a financial newspaper or journal of general circulation in The City of New York, New York, once during each calendar week for at least two successive calendar weeks. Such notice is required to

briefly set forth the nature of the proposed amendment and shall state that a copy thereof is on file at the principal office of each registrar for the Parity Debt for inspection by all owners of Parity Debt. Such publication is not required, however, if the Board gives or causes to be given such notice in writing, by certified mail, to each owner of Parity Debt.

Amendments of Suoolemental Resolutions. Each supplemental resolution may contain provisions governing the ability of the Board to amend such supplemental resolution; provided, however, that no amendment may be made to any supplemental resolution for the purpose of granting to the owners of outstanding Parity Debt under such supplemental resolution a priority over the owners of any other outstanding Parity Debt.

APPENDIX C

FINANCIAL STATEMENTS OF
THE UNIVERSITY OF TEXAS SYSTEM

APPENDIX D

FORM OF BOND COUNSEL OPINION

§
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS
SYSTEM REVENUE FINANCING SYSTEM BONDS
SERIES 1995A

PURCHASE AGREEMENT

_____, 1995

The Board of Regents of
The University of Texas System
c/o Assistant Vice Chancellor for Finance
201 West 7th Street
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned (hereinafter sometimes called the "Representative"), acting on behalf of itself and on behalf of the other underwriters named in the list attached hereto as Schedule 1 (the Representative and such other underwriters being herein collectively called the "Underwriters"), offer to enter into the following agreement with the Board of Regents of The University of Texas System (hereinafter called the "Board"), which, upon the Board's written acceptance of this offer, as evidenced by the execution of this Purchase Agreement by the Assistant Vice Chancellor for Finance of The University of Texas System, as the duly authorized agent of the Board (the "Board's Representative"), will be binding upon the Board' and upon the Underwriters. Capitalized terms used herein and not otherwise defined shall have the respective meanings given to them in the Official Statement (as hereinafter defined).

1. **Purchase and Sale of the Bonds.** (a) Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriters hereby agree to purchase from the Board, and the Board hereby agrees to sell and deliver to the Underwriters, all, but not less than all, of the Board of Regents of The University of Texas System Revenue Financing System Bonds, Series 1995A (the "Bonds").

(b) The Bonds shall be authorized by, and shall be issued and secured under the provisions of, an amended and restated master resolution, adopted by the Board on February 14, 1991 (the "Master Resolution"), establishing The University of Texas System Revenue Financing System, and a third supplemental resolution, adopted by the Board on May 11, 1995 (the "Supplemental Resolution" and together with the Master Resolution, the

“Resolution”), providing for the issuance of the Bonds. The Bonds shall be dated, shall be in the form, shall be in the aggregate principal amount, shall have the maturities, shall bear interest from the dates and at the rates, shall be subject to redemption, and shall have the other characteristics and terms as set forth in Exhibit A.

(c) The purchase price for the Bonds shall be \$ _____ (representing the par amount of the Bonds of \$ _____ plus a net original issue premium on the Bonds of \$ _____ and less an underwriting discount of \$ _____), plus interest accrued on the Bonds from the date of the Bonds to the Closing Date (as hereinafter defined).

(d) It shall be a condition to the Board's obligations to sell and deliver the Bonds to the Underwriters and to the Underwriters' obligations to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Board and purchased, accepted and paid for by the Underwriters at the Closing (as hereinafter defined). The Underwriters agree to make a bona fide public offering of all of the Bonds at prices not in excess of the initial offering prices or yields set forth on the cover of the Official Statement, plus interest accrued thereon from the date of the Bonds.

(e) In the event that the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and to pay for the Bonds at the Closing as herein provided, the Underwriters shall pay to the Board an amount equal to one percent of the aggregate principal amount of the Bonds as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 8 and 10 hereof, neither party hereto shall have any further rights against the other hereunder.

2. **The Official Statement; End of the Underwriting Period.** (a) The Preliminary Official Statement of the Board, dated _____ 1995, including the cover page and Appendices thereto, relating to the Bonds (the “Preliminary Official Statement”), as amended to conform to the terms of this Purchase Agreement and with such changes and amendments to the date hereof as have been mutually agreed to by the Board and the Representative, as indicated on Exhibit B attached hereto, is hereinafter called the “Official Statement.”

(b) Prior to or concurrently with the acceptance hereof by the Board, the Board has delivered to the Representative:

(i) One certified copy of the Resolution.

(ii) Two copies of the Official Statement manually signed on behalf of the Board by the Board Agent.

(c) The Board hereby represents and warrants that the Preliminary Official Statement previously delivered to the Representative was deemed final by the Board as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Rule 15c2-12 under the Securities Exchange Act of 1934 ("Rule 15c2-12").

(d) The Board, acting through the Board's Representative, has duly authorized and approved and executed the Official Statement, which is final solely for purposes of Rule 15c2-12.

(e) Unless otherwise notified in writing by the Representative by the Closing Date, the Board can assume that the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the Closing Date. In the event such notice is so given in writing by the Representative, the Representative agrees to notify the Board in writing following the occurrence of the "end of the underwriting period" as defined in Rule 15c2-12. The "end of the underwriting period" as used in this Purchase Agreement shall mean the Closing Date or such later date as to which notice is given by the Representative in accordance with the preceding sentence.

3. **Use of Documents; Certain Covenants and Agreements of the Board.** (a) The Board hereby authorizes the use by the Underwriters of the Resolution, the Escrow Agreement and the Official Statement, including any supplements or amendments thereto, and the information therein contained in connection with the public offering and sale of the Bonds. The Board ratifies and confirms the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

(b) The Board covenants and agrees:

(i) To cause reasonable quantities of the Official Statement, as requested by the Underwriters, to be delivered to the Underwriters, without charge, within seven business days of the date hereof.

(ii) To apply the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Resolution authorizing their issuance, and not to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds under the Internal Revenue Code of 1986, as amended (the "Code").

(iii) If, after the date of this Purchase Agreement and until twenty-five (25) days after the end of the underwriting period, any event shall occur as a result of which it is necessary to amend or supplement the Official Statement in order to

make the statements therein, in the light of the circumstances when the Official Statement is delivered to a purchaser, not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, to notify the Representative (and for the purposes of this clause (iii) to provide the Underwriters with such information as they may from time to time request), and to cooperate with the Underwriters in the preparation of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not, in light of the circumstances when the Official Statement is delivered to a purchaser, be misleading or so that the Official Statement will comply with law.

(iv) To furnish such information and execute such instruments and take such action in cooperation with the Representative as the Representative may reasonably request (A) to (y) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Representative may designate and (z) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (B) to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Board will not be required to qualify as a foreign corporation or otherwise to do business or to file any general or special consents to service of process under the laws of any state.

(v) To advise the Representative immediately of receipt by the Board of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose.

(vi) To not issue any additional bonds, notes or other obligations for borrowed money payable in whole or in part from Pledged Revenues **(other than Commercial Paper Notes)** between the date hereof and the Closing Date without the prior written consent of the Underwriters; and neither the Board nor The University of Texas System (the "System") will incur any material liabilities, direct or contingent, (except as otherwise contemplated by the Official Statement) between the date hereof and the Closing Date without the prior written consent of the Underwriters.

4. **Representations and Warranties of the Board.** The Board hereby represents and warrants to each of the Underwriters, as of the date hereof and **as of the Closing Date**, that:

(a) The System is and will be as of the Closing Date a duly organized and existing agency of the State of Texas, and the Board is the duly appointed governing body of the System. The Board and the System have the powers and authority, among others, set forth in the Texas Education Code.

(b) The Board has, and at the time of the Closing will have, full legal right, power and authority (i) to enter into this Purchase Agreement and the Escrow Agreement, and (ii) to adopt the Resolution, to pledge the Pledged Revenues in the manner provided in the Resolution, and to issue, sell and deliver the Bonds as Parity Debt to the Underwriters as provided herein and in the Resolution and the Official Statement; and the Board has, and at the time of the Closing will have, duly adopted the Resolution and duly authorized and approved the execution and delivery of, and the performance of its obligations contained in, the Bonds, the Resolution, the Escrow Agreement and this Purchase Agreement.

(c) The Board has, and at the time of the Closing will have, duly authorized and approved the execution and delivery of, and the performance of the Board's obligations contained in, this Purchase Agreement. This **Purchase Agreement** has been duly executed and delivered by the Board's Representative and constitutes a legal, valid and binding obligation of the Board, enforceable in accordance with its terms.

(d) The Resolution creates a valid lien on the Pledged Revenues, and the Bonds, when validly executed, authenticated, certified and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be validly issued and outstanding obligations of the Board entitled to the benefits of the Resolution.

(e) Neither the Board nor the System is in breach of or in default under any applicable law or administrative regulation, any applicable judgment or decree, or any loan agreement, note, resolution, agreement or other instrument to which the Board or the System is a party or by which they or any of their respective properties are otherwise subject, which would have a material and adverse effect upon the business or financial condition of the System or the Pledged Revenues.

(f) The Board is not in breach of or in default under the Resolution or any of its prior resolutions (the "Prior Resolutions") that authorized the issuance of the obligations being refunded by the Bonds (the "Refunded Obligations"), and the execution and delivery of this Purchase Agreement and the Bonds by the Board and the adoption of the Resolution by the Board do not and will not violate or constitute a breach of or default under any existing law, administrative regulation, judgment or decree or any loan agreement, note, resolution, agreement or other instrument to which the Board or the System is a party or by which they or any of their respective properties are otherwise subject.

(g) All approvals, consents and orders of any governmental authority or agency having jurisdiction over any matter which would constitute a condition precedent to the performance by the Board of its obligations to sell and deliver the Bonds hereunder will be obtained prior to the Closing.

(h) At the time of the Board's acceptance hereof and (unless an event occurs of the nature described in Paragraph 3(b)(iii)) at all times subsequent thereto during the

period up to and including twenty-five (25) days subsequent to the end of the underwriting period the Official Statement does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(i) If the Official Statement is supplemented or amended pursuant to Paragraph 3(b)(iii), at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including twenty-five (25) days subsequent to the end of the underwriting period the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading.

(j) The proceeds of the sale of the Bonds shall be applied as described in the Official Statement under the caption "SOURCES AND APPLICATIONS OF FUNDS."

(k) The financial data of the Board and the System contained in the Official Statement fairly present the receipts, disbursements, cash balances and financial condition of the Board and the System as of the dates and for the periods therein set forth.

(l) Subsequent to the respective dates as of which information is given in the Official Statement, up to and including the date hereof, there has been no material adverse change in the financial position, results of operations or condition, financial or otherwise, of the Board or the System.

(m) Except as described in the Official Statement, there is not any action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending or threatened, or that could be reasonably asserted, against the Board or any of its assets in any court, governmental agency, public board or body or before any arbitrator or any government board or body, (i) affecting the System's existence as a state agency or the Board's appointment as its governing body or its powers, or the title of its officers to their respective offices, or (ii) seeking to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues to pay the principal of and interest on the Bonds, or (iii) in any way contesting or affecting the tax-exempt status of the interest on the Bonds or the Refunded Bonds, or (iv) in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, this Purchase Agreement, the Refunded Bonds or the Prior Resolutions, or (v) contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement, or (vi) which involves the possibility of any ruling, order, judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or the condition, financial or otherwise, of the System, or (vii) which might in any material respect adversely affect the transactions contemplated herein.

(n) Any certificate or copy of any certificate signed by any official of the Board or the System and delivered to the Representative pursuant hereto or in connection herewith shall be deemed a representation by the Board or the System to each of the Underwriters as to the truth of the statements therein made.

(o) The Board's Representative is authorized to act on behalf of the Board, for the purpose of selling the Bonds to the Underwriters, fixing the terms of the Bonds and taking the other actions provided for herein and in the Resolution, and such actions by the Board's Representative shall be deemed to be actions by the Board.

(p) The Assistant Vice Chancellor for Finance of the System has been duly authorized to act on behalf of the Board, as the Board's Representative, for the purpose of taking the actions provided for herein.

5. Closing. (a) At 10:00 a.m., Texas time, on _____, 1995, or at such other time and date as shall have been mutually agreed upon by the Board and the Representative (the "Closing Date"), the Board will, subject to the terms and conditions hereof, deliver the Bonds to the Representative duly executed and authenticated in the form and manner contemplated below, together with the other documents hereinafter mentioned, and the Representative will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 1 hereof (such events being referred to herein as the "Closing").

(b) Delivery of the **Bonds** shall be made at the offices of McCall, Parkhurst & Horton L.L.P., 600 Congress Avenue, 31st Floor, Austin, Texas, or such other place as shall have been mutually agreed upon by the Board and the Representative. The Bonds shall be delivered in fully registered form bearing CUSIP numbers without coupons with one Bond for each maturity of Bonds, registered in the name of Morgan Stanley & Co. Incorporated and shall be made available to the Representative at least one business day before the Closing for purposes of inspection.

6. **Closing Conditions.** The Representative has entered into this Purchase Agreement on behalf of itself and the other Underwriters in reliance upon the representations, warranties and agreements of the Board contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Board of its obligations hereunder, both as of the date hereof and as of the Closing Date. Accordingly, the Underwriters' obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Board of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Board contained herein shall be true, complete and correct on the date hereof and on and as of the Closing Date, as if made on the Closing Date.

(b) At the time of the Closing, the Resolution (except with respect to the amended and restated first supplemental resolution and the second supplemental resolution to the Master Resolution) shall be in full force and effect and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative.

(c) At the time of the Closing, all official action of the Board relating to this Purchase Agreement, the Bonds, the Resolution and the Escrow Agreement shall be in full force and effect and shall not have been amended, modified or supplemented; and the Representative shall have received, in appropriate form, evidence thereof.

(d) At the time of the Closing, there shall not have occurred any change in the condition, financial or otherwise, or in the earnings or operations of the Board, from that set forth in the Official Statement that, in the judgment of the Representative, is material and adverse and that makes it, in the judgment of the Representative, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(e) The Board shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money or otherwise be in default on any such obligation, and there does not exist any event which, with the *giving* of notice, would constitute a default.

(f) At or prior to the Closing, the Representative shall have received each of the following documents:

(i) The Official Statement executed on behalf of the Board by the Board's Representative.

(ii) The Resolution certified by the Executive Secretary of the Board, under the Board's seal, as having been duly adopted by the Board and as being in effect, with such changes or amendments as may have been agreed to by the Underwriters.

(iii) A copy of all proceedings of the Board relating to the authorization of this Purchase Agreement and to the authorization and

issuance of the Bonds, certified as true, accurate and complete by the Executive Secretary of the Board.

(iv) An unqualified opinion or certificate, dated on or prior to the Closing Date, of the Attorney General of the State of Texas, approving the Bonds.

(v) A letter, dated as of or prior to the Closing Date, from the Texas Bond Review Board approving the issuance of the Bonds.

(vi) A certificate, dated the Closing Date, of the Vice Chancellor and General Counsel of the System to the effect that there is not any action, suit, investigation, inquiry or proceeding (whether or not purportedly on behalf of the Board) pending, or, to the best of his or her knowledge, threatened or that could be reasonably asserted, against the Board or any of its assets in any court, governmental agency, public board or body or before any arbitrator or before or by any governmental body, (A) affecting the System's existence as a state agency or the Board's appointment as its governing body or its powers, or the title of its **officers** to their respective offices, or (B) seeking to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues to pay the principal of and interest on the Bonds, or (C) in any way contesting or affecting the tax-exempt status of the interest on the Bonds or the Refunded Bonds, or (D) in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, this Purchase Agreement, the Escrow Agreement, the Refunded Bonds or the Prior Resolutions, or (E) contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement, or (F) which involves the possibility of any ruling, order, judgment or uninsured liability which may result in any material adverse change in the business, properties or assets or the condition, financial or otherwise, of the System, or (G) which might in any material respect adversely affect the transactions contemplated herein.

(vii) A certificate, dated the Closing Date, signed by the Board's Representative, to the effect that (A) to the best of his knowledge: (1) the representations and warranties of the Board contained herein are true and correct in all material respects on and as of the Closing Date as if made on the Closing Date; (2) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (3) no event affecting the Board, the System or the Pledged Revenues has occurred since the date of the Official Statement which should be disclosed in the Official

Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (4) there has not been any material adverse change in the financial condition of the System or the Pledged Revenues from that reflected in the financial statements and other financial information contained in the Official Statement; and (B) on the basis of (1) a reading of the Official Statement and of the financial statements of the System, (2) consultations with Board members, officers and other officials of the Board and the System responsible for financial and accounting matters, and (3) a reading of the minutes of the meetings of the Board, nothing has come to his attention which causes him to believe that as of a subsequent specified date not more than five business days prior to the Closing Date, there was (x) any material change in long-term debt of the System as compared with the amount shown in such financial statements, except for changes that the Official Statement discloses or changes that have occurred or may occur which are described in such certificate or (y) any material decrease in total assets or total fund balance of the System, in each case as compared with amounts shown in such financial statements, except in all instances for changes or decreases that the Official Statement discloses or that have occurred or may occur which are described in such certificate.

(viii) An unqualified bond opinion relating to the Bonds delivered to the Underwriters, dated the Closing Date, of McCall, Parkhurst & Horton L.L.P., Austin and Dallas, Texas, Bond Counsel, in substantially the form attached to the Official Statement as Appendix D.

(ix) A supplemental opinion relating to the Bonds addressed to the Underwriters and dated the Closing Date, of Bond Counsel, in substantially the form attached hereto as Exhibit C.

(x) An opinion, dated the Closing Date, of Vinson & Elkins L.L.P., Austin and Houston, Texas, counsel to the Underwriters, in form and substance satisfactory to the Underwriters.

(xi) A letter from Fitch Investors Service, a letter from Moody's Investors Service and a letter from Standard & Poor's Ratings Group to the effect that the Bonds have been rated " ," " " and " " respectively.

(xii) A certificate by an appropriate official of the Board or the System to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds delivered to the Underwriters at the Closing

will be used in a manner that would cause such Bonds to be arbitrage bonds within the meaning of section 148 of the Code.

(xiii) A report of KPMG Peat Marwick, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to (A) the adequacy of the maturing principal amounts of the Bonds and the interest thereon held in the Escrow Fund established by the Escrow Agreement on the Closing Date to pay when due all of the principal of and interest on the Refunded Obligations, and (B) certain mathematical computations used by Bond Counsel to support its opinion that the Bonds are not arbitrage bonds within the meaning of section 148 of the Code.

(xiv) A fully executed copy of the Escrow Agreement which (together with any other appropriate documentation) evidences that all Federal Securities and cash required to be deposited with the Escrow Agent on the Closing Date have been purchased by or delivered to the Escrow Agent, all as described in the Official Statement, together with a certificate, dated as of the Closing Date, executed by an appropriate official of the Escrow Agent, to the effect that such escrow agreement has been duly authorized, executed, and entered into by the Escrow Agent.

(xv) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth, accuracy and completeness, as of the date hereof and as of the Closing Date, of the Board's representations and warranties contained herein and of the statements and information contained in the Official Statement, and the due performance and satisfaction by the Board at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Board.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Representative.

If the Board shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriters nor the Board shall be under any further obligation hereunder, except that the respective

obligations of the Board and the Underwriters set forth in Paragraphs 8 and 10 hereof shall continue in full force and effect.

7. Termination. The Representative shall have the right to terminate in its absolute discretion the Underwriters' obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Board of its election to do so if, after the execution hereof and prior to the Closing:

(a) (i) Legislation (including any amendment thereto) shall have been introduced in or adopted by either House of the Congress of the United States or recommended to the Congress or otherwise endorsed for passage by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation is under consideration by either such committee or is introduced as an option for consideration by either such committee by the staff of such committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or a bill to amend the Internal Revenue Code (which, if enacted, would be effective as of a date prior to the Closing) shall be filed in either house, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or (iii) an order, filing, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, or (iv) a release or official statement shall have been issued by the President of the United States or by the Treasury Department of the United States or by the Internal Revenue Service, the effect of which, in any such case described in clause (i), (ii), (iii), or (iv), would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or upon income of the general character to be derived by the Board, other than as imposed on the Bonds and income therefrom under the federal tax laws in effect on the date hereof, in such a manner as in the judgment of the Representative would make it impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(b) Any action shall have been taken by the Securities and Exchange Commission or by a court which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court or by any governmental authority suspending the use of the Official Statement or any amendment or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof, affecting the tax status of the Board, its property or income, its notes or bonds (including the Bonds) or the interest thereon, which in the judgment of the Representative would make it impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(d) Any fact or event shall exist or have existed that, in the Representative's judgment, requires or has required an amendment of or supplement to the Official Statement.

(e) (i) (A) Trading generally shall have been suspended or materially limited on or by, as the case may be, either of the New York Stock Exchange or the American Stock Exchange, (B) a general moratorium on commercial banking activities in New York shall have been declared by either Federal or New York State authorities, or (C) there shall have occurred any outbreak or escalation of hostilities or any change in financial markets or any calamity or crisis that, in the reasonable judgment of the Representative, is material and adverse and (ii) in the case of any of the events specified in clauses (A) through (C), such event singly or together with any other such event makes it, in the judgment of the Representative, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement.

(f) There shall have occurred any downgrading, or any notice shall have been given of (i) any intended or potential downgrading or (ii) any review or possible change that does not indicate the direction of a possible change, in the rating accorded any of the Board's Parity Debt obligations (including the ratings to be accorded the Bonds) by any "nationally recognized statistical rating organization," as such term is defined for purposes of Rule 436(g)(2) under the Securities Act of 1933, as amended.

(g) Legislation shall have been enacted by the federal government or the State of Texas, a decision of any federal or State of Texas court shall have been made, or a ruling or regulation (proposed, temporary or final) of the Bonds and Exchange Commission or other governmental agency shall have been made or issued that, in the opinion of Underwriters' Counsel, has the effect of requiring the contemplated distribution of the Bonds or any agreement offered in connection therewith to be registered under the Securities Act of 1933, as amended, or the Resolution to be qualified as an indenture under the Trust Indenture Act of 1939, as amended.

(g) The purchase of and payment for the Bonds by the Underwriters, or the resale of the Bonds by the Underwriters, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. **Expenses.** (a) The Underwriters shall be under no obligation to pay, and the Board shall pay, all expenses incident to the performance of the obligations of the Board hereunder, including, but not limited to: (i) the cost of the printing or other reproduction (for distribution prior to, on or after the date of acceptance of this Purchase Contract) of the Resolution, the Preliminary Official Statement and the Official Statement, together with the number of copies the Underwriters deem reasonable; (ii) the fees and disbursements of Bond Counsel and any other consultants, advisors or counsel retained by the System or the Board; (iii) the fees, if any, for ratings of any of the Bonds; **and** (iv) all advertising expenses in connection with the public offering of the Bonds[^]. The foregoing fees and expenses shall be paid promptly upon receipt of an invoice therefor.

(b) The Underwriters shall pay (i) the fees and disbursements of counsel for the Underwriters, and (ii) all other reasonable customary expenses incurred by the Underwriters in connection with their public offering and distribution of the Bonds, other than the costs and items described in Paragraph 8(a) above.

9. **Notices.** Any notice or other communication to be given to the Board under this Purchase Agreement may be given by delivering the same in writing at 201 West 7th Street, Austin, Texas 78701, Attention: Assistant Vice Chancellor for Finance, and any notice or other communication to be given to the Underwriters under this Purchase Agreement may be given by delivering the same in writing to the Representative, Morgan Stanley & Co. Incorporated, 1251 Avenue of the Americas, New York, New York 10020, Attention: Managing Director, Public Finance Department.

10. **Parties in Interest.** This Purchase Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Board and the Underwriters (including successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Purchase Agreement may not be assigned by the Board. All of the Board's representations, warranties and agreements contained in this Purchase Agreement shall remain operative and in full force and effect, regardless of (a) any investigations made by or on behalf of any of the Underwriters; (b) delivery of and payment for the Bonds pursuant to this Purchase Agreement; and (c) any termination of this Purchase Agreement.

11. **Effectiveness.** This Purchase Agreement shall become effective upon the acceptance hereof by the Board and shall be valid and enforceable at the time of such acceptance.

12. **CHOICE OF LAW.** THIS PURCHASE AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF TEXAS.

13. **Representative Capacity.** The Representative represents that it has been duly authorized by the Underwriters to execute this Purchase Agreement and to act hereunder by and on behalf of the other Underwriters. Any authority, right, discretion or other power conferred upon the Underwriters or the Representative under any provision of this Purchase Agreement may be exercised by the Representative, and the Board shall be entitled to rely upon any request, notice or statement if the same shall have been given or made by the Representative.

14. **Severability.** If any provision of this Purchase Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Purchase Agreement invalid, inoperative or unenforceable to any extent whatever.

15. **Business Day.** For purposes of this Purchase Agreement, "business day" means any day on which the New York Stock Exchange is open for trading.

16. **Paragraph Headings.** Paragraph headings have been inserted in this Purchase Agreement as a matter of **convenience** of reference only, and it is agreed that such paragraph headings are not a part of this Purchase Agreement and will not be used in the interpretation of any provisions of this Purchase Agreement.

17. **Counterparts.** This Purchase Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

Very truly yours,

MORGAN STANLEY & CO.
INCORPORATED

BY _____
As Representative

Accepted and agreed to this
_____ day of _____, 1995.

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____
Assistant Vice Chancellor for Finance

Schedule 1

LIST OF UNDERWRITERS

Exhibit A

TERMS OF BONDS

Exhibit B

[Attach form of Official Statement completed as provided in
Paragraph 1 hereof]

FORM OF BOND COUNSEL'S SUPPLEMENTAL OPINION

_____, 1995

The Board of Regents of
The University of Texas System
210 West 6th Street
Austin, Texas 78701

Morgan Stanley & Co. Incorporated
as Representative of the various
Underwriters listed in the
Purchase Agreement relating
to the captioned Bonds

Re: Board of Regents of The University of Texas System Revenue Financing System
Bonds, Series 1995A, \$ _____

Ladies and Gentlemen:

The undersigned have been retained by the Board of Regents of The University of Texas System (the "Board"), as bond counsel with reference to the above issue of bonds (the "Bonds"), which were authorized by a Resolution adopted by the Board on _____ 1995 (the "Bond Resolution"). Pursuant to the Bond Resolution, the Board entered into a Purchase Agreement dated, _____, 1995 (the "Purchase Agreement") relating to the Bonds with Morgan Stanley & Co. Incorporated on behalf of itself and the other underwriters listed in the Purchase Agreement (collectively, the "Underwriters"). Terms used herein and not otherwise defined have the meaning given in the Purchase Agreement.

It is our opinion that the Bonds are exempt securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended and Section 304(a)(4) of the Trust Indenture Act of 1939, as amended, and that it is not necessary in connection with the offer and sale of the Bonds to register the Bonds under the Securities Act of 1933, as amended, or to qualify the Resolution under the Trust Indenture Act of 1939, as amended.

We were not requested to participate, and did not take part, in the preparation of the Official Statement prepared in connection with the sale of the Bonds (the "Official Statement"), and except to the extent noted herein, we have not verified and are not passing upon and do not assume any responsibility for, the accuracy, completeness, or fairness of

the statements contained in the Official Statement. We have, however, reviewed the information relating to the Revenue Financing System, the Bonds, and the Bond Resolution contained in the Official Statement under the captions "INTRODUCTION," "PLAN OF FINANCING," "SOURCES AND APPLICATIONS OF FUNDS," "DESCRIPTION OF THE BONDS," "DESCRIPTION OF THE REVENUE FINANCING SYSTEM," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," Appendix A, "GLOSSARY OF TERMS," and Appendix B, "SUMMARY OF THE MASTER RESOLUTION" (except for financial and statistical data contained under any of the foregoing), and we are of the opinion that the information relating to the Revenue Financing System, the Bonds, and the Bond Resolution contained under such captions is a fair and accurate summary of the information purported to be shown therein.

It is further our opinion that the Escrow Agreement dated _____, 199 (the "Escrow Agreement") between the Board and _____, _____, as Escrow Agent, executed in connection with the delivery of the Bonds, has been duly **authorized**, executed, and delivered and (assuming due authorization by the Escrow Agent) constitutes a binding and enforceable **agreement** in accordance with its terms, and that the Refunded Obligations, as defined in the Escrow Agreement, being refunded by the Bonds, are outstanding under the resolutions authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the report and mathematical verifications of KPMG Peat **Marwick**, certified public accountants, with respect to the adequacy of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement to provide for the timely payment and retirement of the principal of and interest on the Refunded Obligations. Further, the opinions expressed in this paragraph are expressed **only** insofar as the laws of the State of Texas and of the United States of America may be applicable and are qualified to the extent that (i) enforceability of the Escrow Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium, or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights and (ii) certain equitable remedies, including specific performance, or legal remedies awarded pursuant to principles of equity, including mandamus, may be unavailable.

This letter is furnished to you by us, and is solely for your benefit, and no one other than the Board and the Underwriters is entitled to rely upon this letter.

Respectfully,

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and revised document: F:\GO0959\MOR420\13001\BPA.7

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Additions appear as bold+dbl underlined text

ESCROW AGREEMENT

The Board of Regents of the University of Texas System Revenue Financing System Commercial Paper Notes, Series A and The Board of Regents of Pan American University Tuition Revenue Refunding Bonds, Series 1986

THIS ESCROW AGREEMENT, dated as of, _____ 1995 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between The Board of Regents of the University of Texas System (herein called the "Issuer") and Bankers Trust Company, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit "A" attached hereto and made a part hereof

WITNESSETH:

WHEREAS, the Issuer heretofore has issued and there presently remain outstanding the obligations described in Exhibit "**B**" attached hereto (the "Refunded Obligations"); and

WHEREAS, the Refunded Obligations are scheduled to come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit "C" attached hereto and made a part **hereof**; and

WHEREAS, when firm banking arrangements have been made for the payment of all principal and interest of the Refunded Obligations when due, then the Refunded Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, Vernon's Ann. Tex. Civ. St. Article **717k**, as amended, authorizes the Issuer to issue refunding bonds and to deposit the proceeds **from** the sale thereof, and any other available funds or resources, directly with any place of payment (paying agent) for any of the Refunded Obligations, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Article 717k further authorizes the Issuer to enter into an escrow agreement with any such paying agent for any of the **Refunded** Obligations with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested only in direct obligations of the United States of America, including obligations the principal of and interest

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on which are unconditionally guaranteed by the United States of America, and which may be in book entry form, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Obligations when due; and

WHEREAS, the Escrow Agent is a paying agent (the "Paying Agent") for the Refunded Obligations and this Agreement constitutes an escrow agreement of the kind authorized and required by said Article 7 17k; and

WHEREAS, Article 717k makes it the duty of the Escrow Agent to comply with the terms of this Agreement and as the paying agent to pay the principal of, premium, if any, and interest on the Refunded Obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the issuance, sale, and delivery of The Board of Regents of the University of Texas System Revenue Financing System Bonds, Series _____ (the "**Refunding** Obligations") have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, premium, if any, and interest on the Refunded Obligations when due; and

WHEREAS, the Issuer desires that, concurrently with the delivery of the **Refunding Obligations** to the purchasers thereof, certain proceeds of the **Refunding** Obligations, together with certain other available funds of the Issuer, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as the "Escrowed Securities" for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the **Escrowed** Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances **from** time to time on deposit in the Escrow Fund, will be **sufficient** to pay interest on the **Refunded** Obligations as it accrues and becomes payable and the principal of the Refunded Obligations as it becomes due and payable; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the **Escrowed** Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the principal corporate trust office of the Escrow Agent; and

WHEREAS, the Escrow Agent is a party to this Agreement to acknowledge its acceptance of the terms and provisions **hereof**;

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the **full** and timely payment of principal of and the interest on the **Refunded** Obligations, the Issuer and the Escrow

Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

“Escrow Fund” means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

“Escrowed Securities” means the noncallable and nonprepayable United States Treasury obligations and obligations the due and timely payment of which is unconditionally guaranteed by the United States of America described in Exhibit “D” attached to this Agreement, or cash or other direct obligations of the United States of America or obligations the due and timely payment of which is unconditionally guaranteed by the United States of America substituted **therefor** pursuant to Article IV of this Agreement.

Section 1.02. Other Definitions. The terms “Agreement”, “Issuer”, “Escrow Agent”, “Refunded Obligations”, **“Refunding Obligations”** and “Paying Agent”, when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law.

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Section 2.01. Deposits in the Escrow Fund. Concurrently with the sale and delivery of the **Refunding** Obligations the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and **Escrowed** Securities described herein and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as The University of Texas System Revenue Financing System Commercial Paper Notes, Series A and The Pan American University Tuition Revenue Bonds, Series 1986 Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the **Escrowed** Securities described in Exhibit "**D**" attached hereto. Such deposit, all proceeds therefrom, and all cash balances **from** time to time on deposit therein (a) shall be the property of the Escrow Fund, **(b)** shall be applied **only** in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of, premium, if any, and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of, premium, if any, and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be **transferred** to the Issuer, and the Escrow Agent shall thereupon be discharged from any **further** duties hereunder.

Section 3.02. Payment of Principal, Premium if any, and Interest. The Escrow Agent is hereby irrevocably instructed to transfer **from** the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations at their respective redemption or maturity dates, premium, if any and interest thereon to such maturity dates in the amounts and at the times shown in Exhibit "C" attached hereto.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the successive receipts of the principal of and interest on the **Escrowed** Securities will assure that the cash balance on deposit from time to time in the Escrow Fund **will** be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in Exhibit "**E**" attached hereto. **If**, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by each place of payment (paying agent) for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, the Issuer shall timely deposit in the Escrow Fund, **from** any **funds** that are **lawfully** available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent **shall** not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the **Escrowed** Securities and all other assets of the Escrow Fund, wholly segregated **from** all other funds and securities on deposit with the Escrow Agent; it shall never allow the **Escrowed** Securities or any

other assets of the Escrow Fund to be commingled with any other **funds** or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The **Escrowed** Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust **funds** for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the **Escrowed** Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the **terms** of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, **drafts** or checks drawn by the Issuer or, except to the extent expressly herein provided, by the Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances **from** time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Except as provided in Sections **4.02, 4.03** and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the **Escrowed** Securities, or to sell, transfer or **otherwise** dispose of the **Escrowed** Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the **Escrowed** Securities listed in Exhibit "D" hereto, the Escrow Agent shall reinvest cash balances shown in Exhibit "**F**" attached hereto in zero (0) interest rate United States Treasury Obligations • State and Local Government Series to the extent such Obligations are available **from** the Department of the Treasury. All such reinvestments shall be made only from the portion of cash balances derived **from** the maturing principal of and interest on **Escrowed** Securities that are United States Treasury Certificates of Indebtedness, Notes or Bonds • State and Local Government Series. All such reinvestments shall be acquired on and shall mature on the dates shown on Exhibit "**F**" attached hereto.

Section 4.03. Substitutions and Reinvestments. At the discretion of the Issuer, the Escrow Agent shall reinvest cash balances representing receipts **from** the **Escrowed** Securities, make substitutions of the **Escrowed** Securities or redeem the **Escrowed** Securities and reinvest the proceeds

thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund (which shall be noncallable, nonprepayable direct obligations of the United States of America or obligations which are unconditionally guaranteed as to **full** and timely payment by the United States of America), together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with Exhibit "C", the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the **Refunded** Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing noncallable, nonprepayable direct obligations of the United States of America including obligations which are unconditionally guaranteed as to **full** and timely payment by the United States of America (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for non-interest bearing **Escrowed** Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, **and/or** mature in an amount, which is equal to or greater than the amount payable on the maturity date of the **obligation** listed in Exhibit "D" for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in Exhibit "D" for which such Substitute Obligation is substituted, and
- (c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in Exhibit "E" hereto, as **verified** by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any **Escrowed** Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same **Escrowed** Securities for which such Substitute Obligations originally were substituted.

Section 4.05. ~~The~~ Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds **from** the sale of **Escrowed** Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of Section 148 of the Code or Section 103(c) of the Internal Revenue Code of 1954.

ARTICLE V

APPLICATION OF CASH BALANCES

Section 5.01. **In General.** Except as provided in Sections **3.02, 4.02, 4.03** and 4.04 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund.

ARTICLE VI

RECORDS AND REPORTS

Section 6.01. **Records.** The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and **Escrowed** Securities deposited to **the** Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the **Refunded** Obligations.

Section 6.02. **Reports.** ~~Under~~ this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the **Escrowed** Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all **Escrowed** Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.0 1. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the **Escrowed** Securities and the cash balances **from** time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds **from** time to time in the Escrow Fund or any failure of the obligors of the **Escrowed** Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Obligations or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as a place of payment and paying agent **and/or** a Paying **Agent/-**Registrar therefor). In its capacity as Escrow Agent, it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof; or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power **conferred** upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure

of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. **If**, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$_____ the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) The Paying Agent is the place of Payment (paying agent) for the Refunded Obligations. Concurrently with the sale and delivery of the **Refunding** Obligations the Issuer **shall** pay to the Paying Agent the sum of \$_____ the sufficiency of which is hereby acknowledged by the Paying Agent, for all future paying agency services for the Refunded Obligations; and the Paying Agent warrants that such sum is sufficient for such purpose.

(c) Upon receipt of the aforesaid specific sums stated in subsections (a) and (b) of this Section 7.03 for Escrow Agent and paying agency fees, expenses, and services, the Escrow Agent shall acknowledge such receipt to the Issuer in writing.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or **if its** property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the **Refunded** Obligations then outstanding by an

instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly **authorized** attorneys-in-fact. **If**, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least **\$25,000,000** and subject to the supervision or examination by Federal or State authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and **all** instruments in writing for more **fully** and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties. The Escrow Agent shall pay over to its successor Escrow Agent a proportional part of the Escrow Agent's fee hereunder.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit "A" attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof. Moody's Investors Service is to receive prior written notice and draft legal documents of any contemplated amendment at the address specified in Section 8.04.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no **further** obligations or responsibilities hereunder to the Issuer, the owners of the **Refunded** Obligations or to any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the

benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Immediate written notice is to be sent to Moody's Investors Service after any incidence of severance. Such notice should be sent to Moody's Investors Service, Attention: Public Finance Rating **Desk/Refunded** Bonds, 99 Church Street, New York, New York, 10007.

Section 8.05. Texas Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.07. Effective date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in Exhibit "D" attached hereto and the **Escrowed** Securities, together with the specific sums stated in subsections (a) and **(b)** of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

Section 8.08. Amendments. This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely **affect** the rights of the holders of the Refunded Obligations.

Section 8.09. Changes in Agreement Generally Prohibited. This Agreement is made for the benefit of The Board of Regents of the University of Texas System, the Escrow Agent and the holders or owners **from** time to time of the Refunded Obligations, and it shall not be repealed, revoked, altered or amended without the written consent of all such holders or owners and the written consent of the Escrow Agent; provided, however, that The Board of Regents of the University of Texas System and the Escrow Agent may, without the consent of, or notice to, such holders or owners and as shall not be inconsistent with the terms and provisions of this Agreement amend this Agreement to cure any ambiguity or **formal** defect or omission in this Agreement; but provided further that no amendment to or alteration of this Agreement shall conflict with the requirements for firm banking and financial arrangements in accordance with Article **717k**, Vernon's Texas Civil Statutes, as amended. The Escrow Agent shall provide Moody's Investors Service with documents relating to any proposed amendment to this Agreement prior to execution of any such amendment. All notices to Moody's shall be sent at the address set forth in Section 8.04 of this Agreement.

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
Assistant Vice Chancellor for Finance

ATTEST:

Executive Secretary

(SEAL)

BANKERS TRUST COMPANY

BY _____
(Title) _____

ATTEST:

Trust Officer

(SEAL)

INDEX TO EXHIBITS

Exhibit "A"	Addresses of the Issuer and the Escrow Agent
Exhibit "B"	Description of the Refunded Obligations
Exhibit "C"	Schedule of Debt Service on Refunded Obligations
Exhibit "D"	Description of Beginning Cash Deposit (if any) and Escrowed Securities
Exhibit "E"	Escrow Fund Cash Flow
Exhibit "F"	Reinvestments in Zero Coupon SLGS

EXHIBIT "A"

ADDRESSES OF THE ISSUER **AND**
ESCROW AGENT

ISSUER

The University of Texas System
2 10 West Sixth Street
Austin, Texas 78701

Attention: John Roan

ESCROW AGENT

Bankers Trust Company
4 Albany Street
New York, New York 10006

Attention: Corporate Trust Department

EXHIBIT "B"

DESCRIPTION OF THE
REFUNDED OBLIGATIONS

EXHIBIT "C"

SCHEDULE OF DEBT SERVICE
ON REFUNDED OBLIGATIONS

TO BE PROVIDED
BY ACCOUNTING FIRM

EXHIBIT "D"

ESCROW DEPOSIT

I. CASH

II. STATE AND LOCAL GOVERNMENT
SERIES OBLIGATIONS

Principal Amount

Interest Rate

Maturity Date

III. OTHER OBLIGATIONS

Principal
Description

Interest
Amount

Maturity
Rate

Date

EXHIBIT "E"

ESCROW FUND CASH FLOW

To Be Provided
By Accounting Firm

EXHIBIT "F"
REINVESTMENTS IN ZERO
COUPON SLGS

Principal Amount Purchase Date Maturity Date

4. U. T. System: Recommended Monthly Premiums for the Self-Funded Medical and Dental Plans and Health Maintenance Organizations to be Effective September 1, 1995 (Withdrawn).--Committee Chairman Smiley reported that the item related to proposed monthly premium rates for employees of The University of Texas System for the self-funded medical and dental plans and health maintenance organizations to be effective September 1, 1995, was withdrawn and will be presented to the Board via the Executive Committee Letter process.

5. U. T. System: Appointment of Vision Service Plan Insurance Company, Rancho Cordova, California, as Carrier for Vision Plan and Approval of Monthly Insurance Premiums to be Effective September 1, 1995.--Upon recommendation of the Business Affairs and Audit Committee, the Board appointed Vision Service Plan Insurance Company, Rancho Cordova, California, as carrier for a fully insured vision plan for employees and retirees of The University of Texas System and approved the monthly premium rates as set forth below effective September 1, 1995:

<u>Category</u>	<u>1995-1996 Premiums</u>
Employee Only	\$ 6.75
Employee & Spouse	10.47
Employee & Children	10.70
Employee & Family	17.26

6. U. T. System: Recommendation to Establish Two Self-Funded Freestanding Health Maintenance Organizations to Service the Dallas and Galveston, Texas, Areas and Appointment of Administrative/Fiscal Agents for Each of the Organizations to be Effective September 1, 1995 (Withdrawn).--The item related to the proposed establishment of two self-funded freestanding health maintenance organizations to service the Dallas and Galveston, Texas, areas to be effective September 1, 1995, was withdrawn for consideration at a future date.

7. U. T. System: Approval to (a) Establish a Self-Funded Health Maintenance Organization to be a Part of the Point-of-Service Medical Plan to Service the El Paso and Tyler, Texas, Areas; (b) Appoint The Anthem Health Companies, Dallas, Texas, as the Administrative/Fiscal Agent for Each of the Organizations to Serve El Paso and Tyler, Texas; (c) Establish PCA Health Plans of Texas, Inc., Austin, Texas, and Sanus Health Plan, Inc., Houston, Texas, as Self-Funded Freestanding Health Maintenance Organizations to Service the Austin, Texas, Area; and (d) Appoint PCA Health Plans of Texas, Inc., Austin, Texas, and Sanus Health Plan, Inc., Houston, Texas, as Administrative/Fiscal Agents to be Effective September 1, 1995.--The Board, upon recommendation of the Business Affairs and Audit Committee:

- a. Approved the expansion of the point-of-service medical plan by establishing a self-funded health maintenance organization to service the employees and retirees of The University of Texas System located in the El Paso and Tyler, Texas, areas
- b. Approved the appointment of The Anthem Health Companies, Dallas, Texas, as the administrative/fiscal agent for the day-to-day management of the self-funded health maintenance organizations to serve El Paso and Tyler, Texas, effective September 1, 1995
- c. Established PCA Health Plans of Texas, Inc., Austin, Texas, and Sanus Health Plan, Inc., Houston, Texas, as self-funded freestanding health maintenance organizations to service the employees and retirees of the U. T. System located in the Austin, Texas, area
- d. Appointed PCA Health Plans of Texas, Inc., Austin, Texas, and Sanus Health Plan, Inc., Houston, Texas, as two separate administrative/fiscal agents for the day-to-day management of their individual self-funded freestanding health maintenance organization to be effective September 1, 1995.

It was noted that the medical insurance rates for FY 1995-96 will be recommended at a future date.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 156 - 193).--In the absence of Committee Chairman Lebermann who was excused because of a previous commitment, Regent Temple reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter III, Section 1, Subsection 1.8, Subdivision 1.86 (Appointments).--Upon recommendation of the Academic Affairs Committee, the Board amended the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.86, regarding honorific titles by adding paragraph (b) as set forth below:

Sec. 1. Appointments.

1.86 Honorific Titles.

- (a) Regental Professor. Any faculty member who is awarded the Nobel Prize or who has in the past been awarded the Nobel Prize may, upon recommendation of the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor, and the Chancellor, be given the title Regental Professor. Because of the great honor associated with the award of a Nobel Prize, institutional tenure is awarded to Regental Professors by virtue of the appointment to this rank.
- (b) Distinguished Teaching Professor. Members of the U. T. Austin Academy of Distinguished Teachers or a similar approved academy may use the honorific title Distinguished Teaching Professor to recognize faculty members who have made significant contributions to education.

This amendment to the Regents' Rules and Regulations adds an honorific academic title of Distinguished Teaching Professor for initial use at The University of Texas at Austin to recognize faculty members who will be selected to serve in the newly established Academy of Distinguished Teachers.

2. U. T. System: Approval of Amendments to the Minimum Faculty Teaching Requirement (Faculty Workload) Policy (Retitled Minimum Faculty Teaching Requirements) for General Academic Institutions.--The Board, upon recommendation of the Academic Affairs Committee:
 - a. Retitled The University of Texas System Minimum Faculty Teaching Requirement (Faculty Workload) policy for the general academic institutions as Minimum Faculty Teaching Requirements

- b. Amended Section 2 under "Exceptions" of the Minimum Faculty Teaching Requirements to read as set forth below:

Exceptions

2. Limited faculty teaching load credit may be granted with approval of the institutional head for major academic advising responsibilities, for preparing major documents in the fulfillment of programmatic needs or accreditation requirements, or for duties performed in the best interest of the institution's instructional programs as determined by the head of the institution. Teaching load credit granted by the head of the institution for such purposes is limited to 1% of the total semester credit hours taught at the institution during the comparable (fall or spring) semester in the previous year. (NOTE: This is one 3-hour undergraduate course teaching load credit per semester for each 300 total semester credit hours taught.)
- c. In addition to the foregoing minor changes, deleted the outdated Preamble and concluding paragraph regarding Outside Employment and Consulting from future versions of the Minimum Faculty Teaching Requirements.

The U. T. System Minimum Faculty Teaching Requirement (Faculty Workload) policy was approved by the U. T. Board of Regents at the August 1978 meeting and subsequently amended at the February 1979 and July 1980 meetings. The amendments conform the title of the policy to that currently in use and allow additional flexibility in exceptions for activities of benefit to the institution.

The Minimum Faculty Teaching Requirements, as amended, are set out in their entirety on Pages 158 - 159.

THE UNIVERSITY OF TEXAS SYSTEM
MINIMUM FACULTY TEACHING REQUIREMENTS

MINIMUM FACULTY TEACHING LOAD

Each person paid full time from the appropriations item "Faculty Salaries" shall teach a minimum of nine semester credit hours of instruction in organized undergraduate classes each long-term semester with adjustments permitted for the teaching load equivalencies listed below.

Adjustments

1. One semester credit hour of graduate instruction is equal to one and one-half semester credit hours of undergraduate instruction.
2. Instruction of regularly scheduled laboratory and clinical courses, physical activity courses, studio art, studio music instruction, and primary music performance organizations such as ensembles and marching bands shall provide teaching load credit at the rate of one semester hour of teaching load credit for each one and one-half contact hours of instruction per week per long-term semester.
3. Supervision of student teachers, clinical supervision, and intern supervision, shall be credited such that 12 total student semester credit hours taught is equivalent to one semester credit hour of teaching load credit.
4. Supervision of student practicum and individual instruction courses such as honors programs and individual research projects shall provide teaching load credit at the rate of one-tenth semester hour of teaching load credit for each student semester hour of undergraduate instruction and one-fifth semester hour of teaching load credit for each student semester hour of graduate instruction per long-term semester. In no case will individual instruction in a single course generate more teaching load credits than if the course were taught as a regularly scheduled, organized course.
5. Supervision of graduate thesis shall provide teaching load credit only to the chairperson of the thesis or dissertation committee and at the rate of one semester hour of teaching load credit for each six total student semester hours of thesis research credit and at the rate of one semester hour of teaching load credit for each three total student semester hours of dissertation credit.
6. A faculty member who coordinates several sections of a single course shall be given one semester hour of teaching load credit for each six sections coordinated up to a maximum of three semester hours of teaching load credit.
7. Credit may be proportionally increased for teaching a large class, which requires extensive grading or evaluation of students' work by the faculty member according to the following weighing factors:

Class Size	59 or less	60-69	70-79	80-89	90-99	100-124	125-149	150-174	175-199	200-249	250 or more
Weighing Factor	1.0	1.1	1.2	1.3	1.4	1.5	1.6	1.7	1.8	1.9	2.0

8. Credit for teaching may be granted for a faculty member who is head of a department or head of a comparable administrative unit up to a maximum of six semester hours of teaching load credit. When justified by department/unit head and approved by the institutional head, an additional three hours of teaching load credit may be given to faculty members who provide academic services to the unit head, but in no case will the total for departmental administration, including the head, exceed nine teaching load credits.

9. At the discretion of the head of the department or comparable unit, and upon approval of the institutional head, up to three semester hours of teaching load credit for each of two semesters may be given to a newly-appointed faculty member during the first year of employment for the purpose of developing instructional materials for the courses he or she will teach.

When more than one teacher participates in the instruction in a single course, the teaching load credit is proportioned according to the effort expended. Also, when a faculty member is paid partially from a source of funds other than the "Faculty Salaries" line item, the minimum teaching workload shall be proportioned to the percentage of salary paid from the appropriations item "Faculty Salaries."

Exceptions

1. A reduced teaching load may be granted temporarily if classes do not materialize because of insufficient enrollment and when additional classes cannot be assigned to the faculty member. This exception may only be granted for two consecutive long-term semesters for any particular faculty member.
2. Limited faculty teaching load credit may be granted with approval of the institutional head for major academic advising responsibilities, for preparing major documents in the fulfillment of programmatic needs or accreditation requirements, or for duties performed in the best interest of the institution's instructional programs as determined by the head of the institution. Teaching load credit granted by the head of the institution for such purposes is limited to 1% of the total semester credit hours taught at the institution during the comparable (fall or spring) semester in the previous year. (NOTE: This is one 3-hour undergraduate course teaching load credit per semester for each 300 total semester credit hours taught.)

Salary payments for intercollegiate coaching activities may not come from the appropriation item "Faculty Salaries."

The institutional head shall designate the officer of the institution who will monitor workloads, review workload reports, and submit the reports to the institutional head for approval and comment as appropriate prior to submitting the reports to the Board of Regents through System Administration following the standard reporting format and deadlines as provided by the Texas Higher Education Coordinating Board in accordance with Section 51.402 of Subchapter H, Chapter 51 of the Texas Education Code and any riders in the current legislative Appropriations Bill. Every faculty member's compliance with these minimum teaching requirements shall be assessed each long-term semester. If a faculty member is found to be out of compliance during any semester, the institution shall take appropriate steps to prevent such noncompliance in the future.

3. U. T. System and U. T. Arlington: Approval to Increase Number of Ashbel Smith Professorships Authorized for the General Academic Component Institutions and Authorization to Use the Name Jenkins Garrett Professorships for Nonendowed Professorships at U. T. Arlington.--The Board, upon recommendation of the Academic Affairs Committee, approved an increase in the number of nonendowed Ashbel Smith Professorships (or Ashbel Smith type professorships) authorized for The University of Texas System general academic components to five (5) professorships. This action authorizes a base number of five such professorships for each general academic component institution, as is the case for health component institutions, except for The University of Texas at Austin where 15 Ashbel Smith Professorships are currently authorized and The University of Texas Health Center at Tyler which does not have any such professorships.

Current authorization for each component is as follows:

<u>Institution</u>	<u>Number of Nonendowed Professorships</u>
U. T. Arlington	5
U. T. Austin	15
U. T. Brownsville	5
U. T. Dallas	5
U. T. El Paso	5
U. T. Pan American	5
U. T. Permian Basin	5
U. T. San Antonio	5
U. T. Tyler	5
U. T. Southwestern Medical Center - Dallas	5
U. T. Medical Branch - Galveston	5
U. T. Health Science Center - Houston	5
U. T. Health Science Center - San Antonio	5
U. T. M.D. Anderson Cancer Center	5

In accordance with U. T. Board of Regents' policy, appointments to these nonendowed professorships shall be made through the normal budget processes under the guidelines established for Ashbel Smith Professorships by the U. T. Board of Regents at the April 1980 meeting.

In addition, the Board authorized the nonendowed professorships at The University of Texas at Arlington to be named the Jenkins Garrett Professorships in honor of Mr. Jenkins Garrett who is a distinguished former member of the U. T. Board of Regents and who has been involved in significant support of this institution for over 25 years.

4. U. T. Arlington: Authorization to Conduct an "Excellence 21" Fund Raising Campaign for the College of Business Administration (Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.4, Subdivision 2.44).--Pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.4, Subdivision 2.44, the Board approved the establishment of a fund raising campaign for the College of Business Administration at The University of Texas at Arlington to be referred to as "Excellence 21."

The specific purpose of the "Excellence 21" campaign is to establish a fund raising vehicle at U. T. Arlington to provide the College of Business Administration with the appropriate resources, staff, and programs to meet the demands of the twenty-first century.

The College has established a time frame of five years to complete its ten million dollar goal. The funds raised will be used to enhance excellence in instruction as well as research support, faculty development, international business education, student support, and executive education programs.

5. U. T. Austin and U. T. Pan American: Authorization to Advance the Cooperative Doctor of Education (Ed.D.) Program in Educational Administration from Step 1 to Step 2 and to Submit the Change to the Coordinating Board for Approval (Catalog Change).--Authorization was granted for The University of Texas at Austin and The University of Texas - Pan American to advance the currently established cooperative Doctor of Education (Ed.D.) program in Educational Administration from Step 1 to Step 2 and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. This advancement is the second step in a three-step plan for establishment of an independent Doctor of Education degree program in Educational Administration at U. T. Pan American.

This cooperative degree program between U. T. Austin and U. T. Pan American was approved by the U. T. Board of Regents in October 1992 and by the Texas Higher Education Coordinating Board in October 1993. Those approvals provided for the Ed.D. degree to be awarded by U. T. Austin with instruction to be provided by both components at U. T. Pan American. Responsibility for the curriculum design and for establishment of standards remained with the U. T. Austin faculty.

In Step 2, U. T. Austin faculty would continue to play an active role in the admission of students, the mentoring of faculty, and the guidance of students through the process of admission to candidacy. The U. T. Pan American faculty would teach more of the doctoral-level courses and play a more active role on dissertation committees.

The principal criterion for moving from Step 1 to Step 2 is the capability of the faculty to assume doctoral program responsibility. Since the cooperative program was implemented in 1993, U. T. Pan American has increased the number of faculty in the doctoral program from three to seven and is currently in the process of filling two additional positions.

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

6. U. T. Dallas: Establishment of a Bachelor of Science Degree in Neuroscience and Authorization to Submit the Degree Program to the Coordinating Board for Approval (Catalog Change).--The Board established a Bachelor of Science degree in Neuroscience at The University of Texas at Dallas and authorized submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The degree program is consistent with U. T. Dallas' approved Table of Programs and institutional plans for offering quality degree programs to meet student needs.

The Bachelor of Science degree in Neuroscience will be administered by the School of Human Development with the participation of the Biology faculty in the School of Natural Sciences and Mathematics at U. T. Dallas. Core courses will address the cellular biology and physiology of neurons, neurotransmitter activity, and brain processes. The program is clearly related to existing undergraduate programs in cognitive science and molecular biology.

The program will build upon the high quality graduate program currently in place, use many existing undergraduate courses, and draw upon existing faculty expertise in the master's and doctoral programs. There are nine well qualified current faculty to support the program.

Library resources are adequate and minimal new equipment will be needed for the new program. The anticipated additional equipment is estimated to cost approximately \$25,000 and would be provided from a combination of institutional resources and student laboratory fees.

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

7. U. T. El Paso: Approval of a New Constitution and Bylaws of the Student Association in Accordance with the Regents' Rules and Regulations, Part One, Chapter VI, Section 5, Subsection 5.12.--In accordance with the Regents' Rules and Regulations, Part One, Chapter VI, Section 5, Subsection 5.12, approval was given to a new Constitution and Bylaws of the Student Association at The University of Texas at El Paso as set forth on Pages 164 - 183 to be effective immediately.

The substantive differences between the new Constitution and the Constitution previously approved at the December 1983 U. T. Board of Regents' meeting are summarized as follows:

- a. Article V, Elections and Qualifications, in the 1983 Constitution becomes Article II in the new Constitution and forces the renumbering of old Articles II, III, and IV to become Articles III, IV, and V, respectively

- b. In Article I, The Student Association, the Student Government specifies its responsibility for conducting elections for Homecoming and for Student Association elections and referenda
- c. In new Article II, Elections and Qualifications, the qualifications are revised to specify that officers and Senators must have at least two semesters remaining in their degree program at the time they assume office and to clarify minimum hours to be eligible to run for office
- d. In new Article III, The Executive Branch, language regarding interim appointments by the President is clarified; the President is limited to appointing only one Executive Assistant; and the Vice President of External Affairs is given a duty to coordinate outside organizations requesting support of student organizations
- e. In new Article IV, The Legislative Branch, determination of the number of Senators is to be based on fall semester enrollment rather than spring semester; legislation introduced by any member of the Student Association must receive a second by a Senator; and a new standing committee is specified (Student Application Review Committee for applications for appointments by the Senate)
- f. In Article VII, General Provisions, the Executive Assistant is authorized to receive a stipend.

The Bylaws of the Student Association, which have not previously been approved by the U. T. Board of Regents, include guidelines and procedures for operation of the Student Association Senate.

CONSTITUTION OF THE STUDENT ASSOCIATION
OF
THE UNIVERSITY OF TEXAS AT EL PASO
1994

PREAMBLE

We, the students of The University of Texas at El Paso, in keeping with the basic American democratic principles, in order to establish this government to represent all students of this University, to provide the official voice through which student opinion may be expressed, to ensure student participation in the University decision-making process, to help defend the rights of each student and to join together to work for the advancement of the University community, do hereby establish this Constitution.

ARTICLE I
THE STUDENT ASSOCIATION

- Section 1. The student body shall be known as the Student Association of The University of Texas at El Paso.
- Section 2. There shall exist within the Student Association a governing body organized into three branches: The Executive, Legislative, and Judicial Branches.
- Section 3. Each student enrolled at this institution shall be a member of the Student Association and shall have the right to vote in the Student Association elections and referenda.
- Section 4. The Student Government shall have the responsibility of holding Homecoming and Student Association elections and referenda for which Student Association members have a right to vote.

ARTICLE II
ELECTIONS AND QUALIFICATIONS

- Section 1. Officers and Senators of the Student Association must have the following qualifications:
- a. A minimum of two (2) semesters remaining for degree completion at the time of running for office;
 - b. Have completed a minimum of twenty-four (24) undergraduate credit hours or eighteen (18) graduate credit hours in the twelve (12) months preceding their term in office, with no less than nine (9) undergraduate hours nor less than six (6) graduate hours completed in each long semester of that period (students graduating from UTEP with a bachelor's degree and continuing immediately as a graduate student are exempted from the minimum course loads described above); and
 1. Undergraduate Senators must complete a minimum of twenty-four (24) credit hours during their term in office with a minimum of nine (9) credit hours during each long semester.

2. Officers and Senators who are graduate students must complete a minimum of eighteen (18) credit hours during their term in office with a minimum of nine (9) credit hours during each long semester.
- c. Have a 2.5 cumulative grade point average by June 1 and maintain it during his/her term in office.
- d. Have at least twenty-four (24) credit hours at The University of Texas at El Paso by June 1 of his/her term of office.
- e. No students may serve as an elected official until their grades have been checked and they have been sworn in by the Dean of Students or his/her representative.
- f. Not be on disciplinary or scholastic probation of any kind during his/her term of office.

Any Officer or Senator who fails to meet stated qualifications by June 1 of his/her term or any Officer or Senator who fails to maintain stated qualifications during his/her term of office, shall forfeit his/her position.

Section 2.

Officers and Senators will be elected in the spring semester prior to their prospective term. The term of office for Officers and Senators shall be one year commencing on June 1 and ending May 31.

- a. The offices of Student Association President, Vice-President of Internal Affairs, and Vice-President of External Affairs shall be filled by the candidate in each race receiving a majority of the votes cast in a general election. Each student shall vote for no more than one (1) candidate for each of these offices.
- b. Senator positions shall be filled by the required number of candidates receiving the greatest number of votes. Each student shall vote for no more than three (3) candidates for Senator position.

Section 3.

Each student duly elected or appointed to office in the Student Association shall, before assuming the duties of that office, take the following oath administered by the Dean of Students or his/her representative: "I, (officer repeat full name), do solemnly affirm that I will fulfill, defend and further the purpose and goals of the Student Association of The University of Texas at El Paso, as stated in the Constitution."

ARTICLE III
THE EXECUTIVE BRANCH

Section 1. All executive powers shall be vested in a President, a Vice-President of Internal Affairs and a Vice-President of External Affairs.

Section 2. The Student Association President shall have the following powers and duties:

- a. To act as chief executive officer of the Student Association.
- b. To act with the Senate to enforce the Constitution, Bylaws, and legislation of the Student Association.
- c. To call special sessions of the Senate and to call the first session of the Senate after a general election, if the Senate has not met by the third week of its tenure.
- d. To sit as a nonvoting member of the Senate and any of its committees.
- e. To veto legislation of the Senate in totality, but not in item. Resolutions of the Senate may not be vetoed.
- f. To sit as chairperson of the Executive Cabinet.
- g. To make interim appointments effective for thirty (30) days, if the Senate has not made an appointment. Regarding committee and Judicial Branch appointments, the President may make an interim appointee into a permanent appointee, subject to approval of the Senate by at least two-thirds (2/3) vote. With regard to these appointments, all position applicants must receive a thirty (30) day appointment prior to a Senate hearing.
- h. To form ad hoc committees.
- i. To appoint only one (1) Executive Assistant to the President.

Section 3. The Student Association Vice-President of Internal Affairs shall have the following powers and duties:

- a. To preside over sessions of the Senate.
- b. To replace the Student Association President if the President is absent or disabled and to become the Student Association President if the office is vacated.
- c. To appoint, if necessary, a Parliamentarian and a Sergeant-at-Arms subject to approval by a majority vote of the Senate.

- d. To oversee the appointment of students to Faculty Senate Standing Committees and act as administrator thereof.
- e. To call special sessions of the Senate.
- f. To form ad hoc committees.

Section 4. The Student Association Vice-President of External Affairs shall have the following powers and duties:

- a. To act as a liaison between the Student Association and local, state, and national student governments.
- b. To act as coordinator to outside organizations seeking the support of student organizations.
- c. To preside over sessions of the Senate in the absence of the Vice-President of Internal Affairs.
- d. To research and advise the Student Association on national, state, and local legislation and events which affect the Student Association.
- e. To be responsible for researching the validity of all travel on Student Association funds and to make recommendations to the Senate about said travel.

Section 5. The Executive Cabinet, composed of the President, Executive Assistant, Vice-President of Internal Affairs, the Vice-President of External Affairs and the chairpersons of all standing committees, will have the following duties:

- a. To act as an advisory source to the President.
- b. To recommend to the Senate goals and policies for the Student Association.
- c. To recommend the removal of Senators from the Ways and Means Committee, the Finance Committee, and other standing committees formed by the Senate.
- d. The Cabinet shall meet at least once a month.

Section 6. The Executive Assistant to the President shall have powers and duties as directed by the Student Association President.

ARTICLE IV
THE LEGISLATIVE BRANCH

- Section 1. All legislative powers shall be vested in a Student Senate composed of one Senator, for each one thousand (1,000) students enrolled, selected at-large in a general election of the Student Association. The number of Senators shall be determined by enrollment during the previous fall semester.
- Section 2. A majority of the roll of the Senate shall constitute a quorum for the transaction of business and shall be called a session of the Senate.
- Section 3. The Senate shall meet at least once a week while University classes are in session. All Senate sessions and committee meetings shall be open.
- Section 4. The Senate shall approve by a two-thirds (2/3) roll call vote all rules and regulations necessary to its expedient and proper operation.
- Section 5. Legislation may be initiated by any member of the Student Association, but must be seconded by a Senator.
- Section 6. All Senators shall have the power to vote on all legislation brought before a session of the Senate. No proxy votes are allowed.
- Section 7. All legislation passed by the Senate and signed by the Student Association President shall be bound in the law of the Student Association. If the Student Association President does not sign an act of the Senate within ten (10) days of its passage, the act shall be enacted, unless vetoed in this period.
- Section 8. A Presidential veto of an act passed by the Senate may be overridden by a two-thirds (2/3) roll call vote of the Senate.
- Section 9. The Senate shall appoint from among its membership on or before its fourth session the following standing committees:
- a. A Ways and Means Committee to advise the Senate in procedural matters,
 - b. A Finance Committee to advise the Senate on financial matters, and
 - c. A SARC (Student Application Review Committee) to advise the Senate on applications for appointment by the Senate. The Senate may at any time appoint from its membership other standing committees it deems necessary. The Senate may remove committee members on the grounds of excessive absences or misconduct as stated in the Bylaws by a two-thirds (2/3) roll call vote.

- Section 10. The Senate shall appoint from among the Student Association an Attorney General to represent the Student Association in the Student Association judicial system and to prosecute violators of the Constitution, legislation of the Student Association, and any other regulations within the jurisdiction of the Student Association. The Senate may remove an Attorney General by a two-thirds (2/3) roll call vote. The Attorney General must meet the same requirements as any elected member of the Student Association.
- Section 11. The Senate shall appoint from among the Student Association one or more Public Defenders to represent students accused of violations of the Constitution and legislation of the Student Association. The Senate may remove a Public Defender by a two-thirds (2/3) roll call vote.
- Section 12. The Senate shall appoint from among the Student Association one or more Student Advocates to provide guidance to or to represent students in need of help in filing grievances or clearing problems in areas such as grade changes, class withdrawals, transcript discrepancies, grievances against faculty, or hearings before the Faculty Senate Standing Committees on Student Publications and Student Welfare and Grievance.
- Section 13. The Senate shall appoint from among the Student Association the student members of all Faculty Senate Standing Committees. The Senate may remove committee members by a two-thirds (2/3) roll call vote.
- Section 14. The Senate shall appoint an Electoral Committee to compile an election code to set forth all necessary regulations for Student Association elections. The election code shall be submitted to the Senate for approval by a two-thirds (2/3) roll call vote.
- Section 15. The Senate may hold a special election if deemed necessary by a majority roll call vote of the Senate.

ARTICLE V
THE JUDICIAL BRANCH

- Section 1. All judicial powers shall be vested in a Supreme Court and such inferior courts as may be established by the Senate. The Supreme Court shall consist of seven (7) students appointed by the Senate from those students submitting petitions. Justices shall remain in their positions unless they are disqualified, impeached and convicted, or resign.
- Section 2. The Supreme Court shall have original jurisdiction over cases involving the Constitution, Bylaws, and legislation of the Student Association, regulations within the jurisdiction of the Student Association, and any other case referred to it by the Senate, as stipulated by the Constitution and/or the Office of Student Affairs.

- Section 3. If any legislation or regulations of the Student Association, in part or in their entirety, should be found contrary to the Constitution, said legislation and regulations shall be declared null and void by the Supreme Court.
- Section 4. The Supreme Court shall have appellate jurisdiction over all inferior court decisions.
- Section 5. The Supreme Court shall approve by a two-thirds (2/3) roll call vote all rules and regulations necessary for proper and expedient operation and the proper and expedient operation of the Judicial Branch.
- Section 6. The Supreme Court shall, from among its membership, appoint a Chief Justice and a Chief Justice pro tempore by a two-thirds (2/3) roll call vote.

ARTICLE VI
VACANCIES AND SUCCESSIONS

- Section 1. Any Officer or Senator of the Student Association shall be removed from office upon conviction in an impeachment trial or upon suspension for improper conduct.
- Section 2. The Senate shall have the sole power of impeachment by a two-thirds (2/3) roll call vote. Any member of the Student Association may initiate impeachment charges. The Chief Justice of the Supreme Court shall preside over the Senate in an impeachment trial, except in cases involving members of the Judicial Branch, in which case the Vice-President of Internal Affairs shall preside.
- Section 3. A vacancy occurs when:
- a. Any Officer or Senator of the Student Association forfeits his/her position due to inability to meet qualifications as stated in Article II, Section 1, of this Constitution.
 - b. An Officer or Senator accepts another elected or appointed position in the Student Association.
 - c. Any Officer or Senator of the Student Association resigns his/her position.
- Section 4. Succession.
- a. Officers:
 1. Should a vacancy occur in the position of the President, the Vice-President of Internal Affairs shall assume the office with all rights and responsibilities thereof.

2. Should a vacancy occur in the position(s) of Vice-President of Internal Affairs or Vice-President of External Affairs, the position(s) shall be filled by an election held from among the membership of the Senate by a two-thirds (2/3) roll call vote. In the event that no senators wish to assume the position(s), a special election shall be held from among the membership of the Student Association.

b. Senators:

Should a Senator's position become vacant, it shall be filled by the person receiving the next greatest number of votes in the most recent election. Only the first five alternates not elected shall be eligible to fill such a vacancy.

ARTICLE VII GENERAL PROVISIONS

Section 1. Monthly stipends for Officers and Senators of the Student Association shall be as follows:

Student Association President	\$190
Vice-President of Internal Affairs	\$140
Vice-President of External Affairs	\$140
Executive Assistant	\$100
Senator	\$ 40

Any Student Association Officer, Senator or Executive Assistant who fails to attend any regular Senate session shall forfeit from his/her stipend ten (10) dollars for each regular Senate session. The total amount forfeited in any one month shall not exceed the total stipend for that month.

Section 2. All official records, orders, journals and proceedings of the Senate and the Supreme Court shall become an official record of the University and shall be distributed as follows:

- a. The Office of the Student Association
- b. The Office of Student Affairs
- c. The Office of the University Librarian.

ARTICLE VIII CONSTITUTIONAL AMENDMENTS

Section 1. An amendment to the Constitution may be initiated by the Senate or by petition of fifty (50) members of the Student Association to the Senate. If an amendment is initiated by petition bearing three hundred and fifty (350) signatures of members of the Student Association or two-and-one-half percent (2 1/2%) of the Student Association, whichever is greater, then the amendment shall be submitted to the student electorate for a vote.

- Section 2. If an amendment proposed to the Senate receives the support of a majority of the roll of the Senate in regular session, it shall be submitted to the student electorate for a vote. Proposed amendments must be presented to the University newspaper in full text preceding its presentation to the student electorate for approval. Full texts must be made available to all Student Association members prior to the election upon request.
- Section 3. A majority of the ballots cast upon an amendment shall be necessary for the amendment to become part of this Constitution.
- Section 4. All amendments to the Constitution shall replace the article and sections for which they are written.
- Section 5. All amendments to the Constitution may be submitted to the student electorate for a vote only during the spring semester general elections.
- Section 6. This Constitution, and any amendment thereto, shall not be effective unless and until approved by the President of The University of Texas at El Paso, the Executive Vice Chancellor for Academic Affairs and the Board of Regents of The University of Texas System; and, shall otherwise in all respects be subject to the Rules and Regulations of said Board of Regents. Notwithstanding any such approval, any provision of this Constitution, or any amendment thereto, which is in conflict with said Rules and Regulations (as determined by the Board of Regents), shall be null and void.

Approved by
Student Referendum
4/21/94

S T U D E N T A S O C I A T I O N
B Y L A W S

ARTICLE I. INTRODUCTION

We, the UTEP Student Association Senate, do hereby establish these Bylaws to effectively operate the Student Association Senate, in accordance with Article V, Section 3 of the UTEP Student Association Constitution.

ARTICLE II. DEFINITIONS

- A. Two-thirds (2/3) Vote - 2/3 of the Senators who respond by voting yes or no. The only votes recognized will be yes, no, and abstain.
- B. Active voting members - those certified by the Election Commission, properly registered, meeting all qualifications for office, and officially sworn into office.
- C. Legislation - any proposals made which require Senate action, such as appropriation of funds, resolutions, or amendments to the appropriate Student Association Constitution and/or these Bylaws.
 - 1) Appropriation Bill - any bill presented to Senate requesting funds.
 - 2) Amendments (affecting SA government) - any proposal or request which attempts to change or modify the legislation of the Student Association Senate.
 - 3) Resolution - a written statement of Senate position on any given issue.
- D. Majority - greater than 50% of all votes cast affirmative or negative, yes and no.
- E. Stratified Majority - greater than 50% of all votes cast affirmative, negative, or abstain; yes, no, and abstain.
- F. Friendly Amendment - a verbal amendment to a bill before the first vote is taken.
- G. Amendment - (in relation to a bill) - any material change affecting or altering the amount of the appropriation or the wording of any proposed legislation.
- H. Ad Hoc Committee - a temporary committee appointed to perform a specific duty.
- I. Standing Committees - those Senate committees called for in the Student Association Constitution or these Bylaws.
- J. Faculty Senate Standing Committees - those committees so designated by the Faculty Senate Bylaws.
- K. Quorum - Simple majority of Senators serving the current semester.

- L. Legislative Assistant Coordinators - the chairpersons of the Legislative Assistant Committee.
- M. Student Association - the student governing structure composed of the Legislative, Executive, and Judicial branches, as described in the Constitution of the Student Association of The University of Texas at El Paso and these Bylaws.
- N. Student Body - the entirety of the UTEP student body composed of registered full-time, part-time, and graduate students.
- O. Material Change - any significant alteration in intent.

ARTICLE III. DUTIES AND RESPONSIBILITIES

- A. Senators are required to attend all Senate sessions and to participate in at least two (2) Student Association projects. Failure to attend a meeting (session) without a valid excuse (see Article IV, Sec. 3) will result in the Senator's service award being reduced by twenty-five percent (25%).
- B. Roll call will be taken at the beginning and end of each Senate session. For Senators to be counted present and not have their service awards reduced, they must be in attendance for 90% of the meeting. Minor infractions for which an excuse is submitted to the Vice-President of Internal Affairs within one week must be presented to the Senate for recommendation subject to two-thirds (2/3) roll call vote. Each Senator may step out for no more than five (5) minutes per session without calling a recess.
- C. Excused absences will be restricted to the following: official university business, classes, sickness, accident (all of which must be verified by documentation presented to the Vice-President of Internal Affairs). In exceptional circumstances, the Senate may also deem an excuse (that is not outlined above) valid by a two-thirds (2/3) roll call vote.
- D. The Vice-President of Internal Affairs will contact in writing all Senate Appointees to confirm whether or not each individual is planning to serve in the appointed position. Only a written statement of non-intent to serve will constitute non-intent to serve. Failure to confirm intent to serve in writing by the last day of the second full week of classes will constitute non-intent to serve.
- E. Duties of the Director of Student Advocates and the Student Advocates are as specified in the Student Advocate office Procedures Manual. Failure to follow the Senate-approved Student Advocate Procedures Manual may be grounds for impeachment. The requirements for the Director of Student Advocates and all Student Advocates are a 2.5 cumulative grade point average and no less than nine (9) undergraduate hours nor less than six (6) graduate hours completed in each long semester of their terms.

- F. Duties, requirements, and responsibilities of the Traffic Court members (Attorney General, Assistants to the Attorney General (Prosecutors), Director of Public Defenders, Public Defenders, and Traffic Court Justices) are specified in the Student Association Student Traffic Court Procedures.
- G. Duties, requirements, and responsibilities of the Supreme Court Justices are as specified in the Student Supreme Court Procedures Manual.
- H. First term students in good standing applying for appointed positions will be appointed under a one (1) semester probationary period. If at the end of the probationary period the individual meets all criteria, the appointment is automatically continued for the duration of the academic year. If the individual does not meet the criteria for the position, the appointment is automatically terminated.

ARTICLE IV. GENERAL PROVISIONS

- A. Student Association Financial Accounts
 - 1) Senate may make recommendations to the President of the Student Association for changes in the Student Association budget.
 - 2) All expenditures from other accounts shall be reported monthly to the Senate by the Student Association President.
 - 3) The Senate shall approve its individual budgets and all allocations thereof.
- B. Sessions
 - 1) Agendas and associated minutes shall be placed in all Senators' and Officers' mailboxes two (2) days prior to meetings in the summer and two (2) days prior to meetings in the long sessions, the only exceptions being any reasonable time constraints of the Senate Secretary.
 - 2) There will be a three (3) minute speaking limit every time a person has the floor.
 - 3) The time and date of Senate sessions shall be set by the Senate at the second session of each semester by a two-thirds (2/3) roll call vote. This is subject to change by a two-thirds (2/3) roll call vote of the Senate.
 - 4) Robert's Rules of Order (Revised Edition) shall be an ADVISORY source to the Student Association Senate, except where otherwise stipulated by the Constitution.
 - 5) The Senate may suspend the Bylaws of the Day by a stratified majority roll call vote. The motion to suspend the Bylaws will be exhausted on completion of the Senate matter at hand.

- 6) The term of Senate appointments to the following positions shall run from the date of appointment until September 29 of the same academic calendar year (September 30 - September 29):
 - a. Director of Student Advocates
 - b. Student Advocates
 - c. Attorney General
 - d. Public Defender
 - e. Traffic Court Justices
 - f. All Senate Committee Appointments
 - g. Legislative Assistants
- 7) The Public Defender, Director of Student Advocates, Student Advocates, and the Attorney General may be removed from office by a two-thirds (2/3) roll call vote of the Senate.

C. Bylaws Amendments

- 1) These Bylaws may be amended at a regular session of the Senate by a two-thirds (2/3) stratified majority roll call vote only if the amendment has been submitted in writing at a prior session of the Senate.
- 2) Any Senator may submit proposed amendments to these Bylaws.
- 3) Proposed amendments are effective upon approval by the President of The University of Texas at El Paso, the Executive Vice Chancellor for Academic Affairs and the Board of Regents of The University of Texas System.

ARTICLE V. LEGISLATION

- A. For legislation to be considered by the Senate it must be submitted typewritten to the Student Association Secretary by five o'clock (5:00) on Monday, two weeks prior to being considered by the Senate for its first reading.
- B. Student Travel Request forms and the names of all students traveling must be turned in and approved prior to being considered by the Senate for its first reading.
- C. Typewritten drafts of legislation must be placed in Finance and Ways and Means Committee Chairpersons' boxes two (2) working days prior to the next scheduled committee meeting for each.
- D. The Ways and Means and Finance Committees must act upon appropriate legislation during the next scheduled committee meeting after its submission to the Student Association Secretary. The Senate must act upon such legislation within ten (10) working days after it is reported out of committee.
- E. Friendly amendments may be accepted by the author or organizational representative on proposed legislation before the first reading. Any bill amended after passing first reading must return to the first reading.

- F. For proposed legislation to become law:
- 1) It must be passed by a majority roll call vote of the Senate on the first reading;
 - 2) It must be passed by a majority roll call vote on the second reading; and
 - 3) If it fails on either reading, it may be resubmitted as new legislation.
- G. At least five (5) working days must expire between the first and second reading period.
- H. In the event that the Senate determines by a two-thirds (2/3) roll call vote that there is a misuse of appropriated funds to Student Association members, those members responsible for such misuse will be liable to the Dean of Students for all such appropriated funds and may be subject to disciplinary action.

ARTICLE VI. SENATE MAJORITY LEADER

The duties of the Senate Majority Leader are to represent the Senate as a whole on all matters within the Executive Cabinet (ex officio) and executive meetings with the Dean of Students and to advise and keep the Senate informed on all Senate matters and other events that may concern the Senate. The goals of this position are to develop a sense of the Senate, communicate this to the President of the Student Association, act as a mediator between the Senators, and to serve as an ombudsman between the Senate and the Executive Branch. The Senate Majority Leader shall be elected by a two-thirds (2/3) roll call vote of the Senate.

ARTICLE VII. SENATE COMMITTEES

A. Standing Committees

- 1) A minimum of three (3) Senators must be on the standing committee as active voting members.
- 2) A quorum for the transaction of business will be a simple majority of the active voting members on each committee.
- 3) Standing Committees shall elect by a two-thirds (2/3) vote of their active voting members a Chair, Vice-Chair, and Secretary. Each position shall be chosen from among the eligible voting members.
- 4) The duties of the committee officers shall be as follows:
 - a. Chair: To preside over regularly scheduled committee meetings and call special meetings contingent that committee members are given 48 hours advanced written notice. To give a weekly report to Senate of the business transacted by each committee.
 - b. Vice-Chair: To preside over committee meetings in the absence of the Chair.

- c. Secretary: To record and submit to the Vice-President of Internal Affairs a formal record of the minutes of all regular and special committee meetings and to record and submit a record of attendance at all regular and special meetings to the Vice-President of Internal Affairs.
- 5) Proxy votes will not be accepted at any committee meetings.
- 6) The Ways and Means Committee shall have the following duties:
 - a. Review all proposed legislation to correct grammar and spelling.
 - b. Screen and approve only appropriate legislation for presentation to the Senate.
 - c. Be available to help student organizations with bills.
 - d. Advise the Senate on procedural matters relating to legislation.
- 7) The Finance Committee shall have the following duties:
 - a. Keep an accurate and up-to-date ledger of allocations from the Senate account and prepare monthly reports to the Senate.
 - b. Ensure that appropriation bills adhere to the appropriation guidelines.
 - c. Make recommendations concerning Senate expenditures.
 - d. Advise the Senate on all financial matters.
 - e. The Chair shall preside over Senate in absence of Vice-President of External Affairs.
- 8) The Legislative Assistant Committee will have two coordinators: one Senator and one elected from among committee members. The Legislative Assistant Committee shall have the following duties:
 - a. To interview and recommend those students applying for Legislative Assistants.
 - b. If a vacancy should occur, the Coordinators will make an assignment to fill it.
 - c. The Coordinators may create a pool of unassigned Legislative Assistants to help with any project and/or committee.
 - d. Approvals and dismissals are subject to Senate approval.

- 9) The Senate Appointment Review Committee will have two co-chairpersons: one Senator and the Vice-President of Internal Affairs. The Senate Appointment Review Committee will have the following duties:
 - a. Review all applications for any Senate-appointed positions, excluding Legislative Assistant applicants, within the Student Association government.
 - b. Interview or review past records of all applicants for these positions at least one (1) week prior to presentation to the Senate for appointment.
 - c. Evaluate appointees' performance and make recommendations to the Senate when a written, signed complaint is filed with the S. A. Secretary to the Student Association Senate.

B. Project Committees

- 1) Project committees may be appointed from the Student Association by the Senate as needed. All Senate project committee chairs or co-chairs must report the progress and activities of their committees to the Senate once a month. All the actions of all Senate project committees are subject to Senate approval by a two-thirds (2/3) majority roll call vote.
- 2) Proxy votes will not be accepted at any committee meetings.
- 3) All project committee chairs or co-chairs will set up project planning checklists and document the projects they are working on in notebooks that will be kept permanently in the office of the Vice-President of Internal Affairs.
- 4) After any and all projects are completed, an evaluation form must be filled out and filed in the respective project notebooks.
- 5) Any and all publicity (advertisements, fliers, PSA's, banners, posters, etc.) for any Senate project must go through the Public Relations Coordinator before they are completed and/or released.

ARTICLE VIII. THE EXECUTIVE CABINET

- A. The Executive Cabinet, composed of the President, Vice-President of Internal Affairs, Vice-President of External Affairs and the Executive Assistant covered herein, will have the duties stipulated in Article III, Section 5 of the Constitution of the Student Association of The University of Texas at El Paso.
- B. The Executive Cabinet shall be responsible for selecting the Senator of the Month.

ARTICLE IX. FACULTY SENATE STANDING COMMITTEES

- A. Any member of the Student Association is eligible to serve on all Faculty Senate Standing Committees as designated by the Faculty Senate Bylaws.
- B. All student appointments made by the Senate become effective on the date that they are approved by the Senate and/or September 30 for fall appointments.
- C. The term of service on such committees shall run from the date of appointment until September 29 of the same academic calendar year (September 30 - September 29).
- D. Student applicants to Faculty Senate Standing Committees shall be appointed by a majority roll call vote of the Senate upon recommendations by the Senate Appointment Review Committee.
- E. One student member of each Faculty Senate Standing Committee elected from among themselves by a majority vote will be chair of the "student delegation." The duties of the student chair shall be:
 - 1) To communicate with the Faculty Chair of the particular committee.
 - 2) To keep a record of student attendance on the particular committee, and report this information to the Vice-President of Internal Affairs. To provide minutes of each meeting to the Vice-President of Internal Affairs, and to provide additional reports as requested by the Vice-President of Internal Affairs who will keep such information on file to be available upon request.
 - 3) To see to it that all student members are informed of all meetings and that they receive all pertinent material that is disseminated to student members in advance of the meeting.
 - 4) To be present at all Student Association Governing Board meetings and convey information of meetings to committee members.
- F. The Senate may remove by two-thirds (2/3) roll call vote any student member of any Faculty Senate Standing Committee. In addition the Senate may remove by two-thirds (2/3) roll call vote the student chair from the "student delegation" for failure to perform his/her duties as specified in Article IX, Section E of these Bylaws. The Senate must go on record as to why the student was dismissed.
- G. A student who misses two (2) consecutive Faculty Senate Standing Committee meetings without advance notice to the Student Chair, the Senate Appointment Review Committee and/or Vice-President of Internal Affairs, will be notified in writing by the Senate Appointment Review Committee to provide an acceptable explanation for the Committee's consideration.

Further action will be taken upon the recommendation of the committee. Removal will require a two-thirds (2/3) roll call vote of the Senate.

- H. The requirements for all students serving on any Faculty Senate Standing Committees are a 2.0 cumulative grade point average and no less than nine (9) undergraduate hours nor less than six (6) graduate hours completed in each long semester of their appointments.

ARTICLE X. LEGISLATIVE ASSISTANTS

- A. Legislative Assistants are UTEP students who are interviewed and recommended by the Legislative Assistant Review Committee comprised of at least three (3) Student Association Senators and one (1) Presidential appointee.
- B. To serve, a Legislative Assistant nominee must satisfy the criteria set forth in Article IX, Section H of these Bylaws.
- C. Each Senator upon request shall be assigned at least one (1) Legislative Assistant of his/her choice. Each Executive Officer and the Executive Assistant to the President upon request will be assigned two (2) Legislative Assistants of his/her choice.
- D. Legislative Assistants will carry out all duties and responsibilities set forth in the Legislative Assistant Committee guidelines.
- E. Legislative Assistants may assist with any Student Association projects.
- F. The term begins each September 30th and ends the following September 29th.
- G. A Legislative Assistant Chairman, Vice-Chairman, and Secretary will be elected from among the Legislative Assistants by a majority vote of the Legislative Assistants.
- H. All Legislative Assistants must attend at least one (1) Senate meeting per month.
- I. There will be a Legislative Assistant meeting once a month with mandatory attendance. The regular meetings are scheduled by the Legislative Assistant Committee.
 - 1. Each Legislative Assistant is required to turn in a monthly report at these meetings which will go to the Chairman and the Coordinator(s).
 - 2. An excused absence must be approved by the Legislative Assistant Chairman, who will in turn inform the Legislative Assistant Coordinator(s).
- J. Failure to comply with the above duties will result in review by the Legislative Assistant Committee. If the problem is not resolved, further action will be considered by the Legislative Assistant Review Committee.

ARTICLE XI. IMPEACHMENT

- A. Grounds for impeachment shall be:
- 1) Misappropriation of Student Association funds or property.
 - 2) Failure to perform duties as assigned by the Constitution or these Bylaws.
 - 3) Intentional misrepresentation of the Student Association.
 - 4) Any fraudulent statement or act which would affect the standing of any officer and/or Senator within the Student Association.
 - 5)
 - a. Five (5) or more unexcused absences; or
 - b. Three (3) or more consecutive unexcused absences as pertaining to this section from the regularly scheduled Senate sessions, not committee meetings.
- B. Procedures
- 1) Charges of the indictment for impeachment may be initiated by any Senator or by any member of the Student Association.
 - 2) All charges of impeachment must be in writing in typewritten form to the Dean of Students in the presence of the accuser, accused, and the Vice-President of Internal Affairs. In the instance that the Vice-President of Internal Affairs is either the accuser or accused the President will serve in the aforementioned capacity. The Dean of Students will hear charges and evidence and deem the accusations either meritorious of further investigation, or not meritorious of further investigation. In the former case, the impeachment process proceeds as outlined below. In the latter case, the process ceases and the charges are considered invalid.
 - 3) The Special Select Judiciary Committee will be selected, by lottery, at the next Senate session after the charges have been submitted to the Senate. The Special Select Judiciary Committee must report its findings by the following Senate meeting.
 - 4) Each Senator who is not the one being charged must have his/her name placed in the ballot box.
 - a. A lottery slip will be provided for each Senator with their names typed in by the Senate Secretary.
 - b. The Senate/Court Secretary shall draw names from the ballot box, one at a time, until he/she has selected five (5) eligible Senators to serve on the Senate Select Judiciary Committee. This selection shall take place during the Senate session.

- 5) The accused shall be provided all information from the committee meetings, but he/she need not be present for the Special Select Judiciary Committee to act.
- 6) Charges for trial of impeachment will be presented to the Senate based upon a stratified majority vote of the Special Select Judiciary Committee.

Amended by vote of the
Student Association
3/7/95

8. U. T. Pan American: Adoption of Policy for Freshman Admissions to be Effective with the Fall Semester 1995 (Catalog Change).--The Academic Affairs Committee recommended and the Board approved the Policy for Freshman Admissions at The University of Texas - Pan American as set out below to be effective with the Fall Semester 1995:

The University of Texas - Pan American
Policy for Freshman Admissions

I. Regular Admission

A. Entering Freshman Admission Criteria

Applicants who have graduated from accredited United States high schools or their equivalents are eligible for regular admission if they meet one of the following criteria:

1. Completion of a high school curriculum certified as "Advanced" or "with Honors," or
2. Completion of a regular high school program with a class rank in the upper half of the graduating class, or
3. An ACT Composite of 20 or above (SAT 930 or above).

B. High School Unit Requirements

The following recommended high school curriculum will be phased-in as a requirement for regular admission (see notes below):

English	4 credits	English I-IV (College Board AP English may be substituted for English IV)
Mathematics	4 credits	Algebra I; Geometry; and Algebra II and Precalculus; or Trigonometry and Elementary Analysis or Analytic Geometry
Science	3 credits	Appropriate courses include: Physical Science Biology I and II Chemistry I and II Physics I and II Science III & IV

Social Studies	4 credits	United States History (1) United States Government (1/2) World History Studies (1) World Geography (1) Economics (1/2)
Foreign Language	3 credits	(Same language)
Health	1/2 credit	
Fine Arts	1 credit	
Physical Education	1 1/2 credits	
Computer Science	1 credit	(Or demonstrated proficiency at Level 1)
Electives	2 1/2 credits	
TOTAL	24 1/2 CREDITS	

1. By Fall Semester 2000, no deviation in English, no more than 1 credit deviation in any other subject area, and no more than a total variance of 4 credits.
2. By Fall Semester 2002, no deviation in English, no more than 1 credit deviation in any other subject area, and no more than a total variance of 2 credits.
3. By Fall Semester 2004, no deviation in any subject area.

II. Alternative Admission

A. Provisional Enrollment Program

Entering freshman applicants who have graduated from accredited U. S. high schools or their equivalents but who do not meet the criteria for regular admission may enroll through the Provisional Enrollment Program (PEP).

PEP students must attend university orientation, must be advised by the Counseling/Advisement Center, must select classes from those prescribed by University College/General Education requirements, must attend academic assessment sessions with university advisors each semester, and must participate in non-credit programs identified to develop study and academic skills.

When a PEP student has a cumulative total of nine (9) or more attempted hours,¹ the student may fulfill criteria for regular admission by meeting two requirements:

1. A grade point average (GPA) of 2.0 or higher in courses completed from at least two of the following areas: English, mathematics, natural sciences, social sciences, foreign language, or humanities; and
2. Successful completion of attempted hours:²

Enrolled:	Must Complete:
first 9 hours	6 hours
10 to 12 hours	9 hours
above 12 hours	10 hours

PEP students who do not have a 2.0 GPA (based upon 9 or more attempted hours) will be permitted an additional semester of enrollment if they have at least a 1.5 GPA and if they meet the "successful completion" criteria outlined above. During this additional PEP semester, students must earn at least the minimum GPA required by probation policies for regular admission students. PEP students may satisfy the requirements for regular admission when they complete 21 earned hours with the GPA required to avoid academic probation.

PEP students who do not satisfy these conditions for continued enrollment have two options for readmission to U. T. Pan American:

1. Apply for "provisional" readmission after 2 calendar years from the date of last attendance, or
2. Transfer nine (9) college-level hours from another accredited college or university with 2.0 GPA or higher.

B. Special Admission

In extenuating circumstances, students who are ineligible to continue under provisional policies may petition the Admission Committee for reinstatement.

¹ Texas Academic Skills Program (TASP) criteria apply to all students. See Catalog, pp. 47-48.

² Only grades A, B, C, D, CR, and Pass are accepted as "successful" completion.

Historically U. T. Pan American has followed a freshman admission policy that provided for acceptance of any student who had graduated from high school, without regard for class rank or scores on national standardized assessment tests. During an era when no community college offered the opportunity for open admission, U. T. Pan American provided the only opportunity for location-bound students to pursue higher education. With the opening of South Texas Community College in McAllen, the Admissions Policy Committee at U. T. Pan American has promulgated changes that will encourage high school students to take college preparatory courses.

An important feature of the policy is adoption of a recommended high school curriculum, which over a period of years will become a required part of the policy for regular admission. The courses are recommended beginning in the Fall Semester 1995. By the Fall Semester 2000, students would be required to have no deviation in the English requirement, be allowed no more than one credit deviation in any other subject area, and no more than a total variance of four credits. By the Fall Semester 2004, no deviations would be allowed for regular admission.

Another significant feature of the new policy is adoption of the Provisional Enrollment Program (PEP). High school graduates who do not qualify for regular admission or students with General Education Development (GED) certificates will be eligible to enroll under the PEP in either the fall or spring semesters. Such students must take a minimum number of hours in specified subjects, participate in a variety of academic support programs, and achieve a minimum grade average to become eligible for regular admission.

The next appropriate catalog published at U. T. Pan American will be amended to reflect this action.

Regent Temple called attention to the fact that The University of Texas at El Paso has also revised its Freshman Admissions Policy along similar lines to those approved for U. T. Pan American. Those revisions are included in catalog changes that are in the institutional docket for this meeting. The U. T. El Paso policy includes a recommended high school preparatory curriculum and establishes minimum admission test scores for graduates in the lower half of their class. Executive Vice Chancellor for Academic Affairs Duncan has been asked to prepare a more detailed description as a report for the record for the August Board meeting.

9. U. T. Permian Basin: Authorization to Establish a Master of Science Degree in Criminal Justice Administration and to Submit the Degree Program to the Coordinating Board for Approval (Catalog Change).--Upon recommendation of the Academic Affairs Committee, the Board authorized the establishment of a Master of Science degree in Criminal Justice Administration at The University of Texas of the Permian Basin and submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The program is consistent with U. T. Permian Basin's Strategic Plan and approved Table of Programs.

This 36 credit hour graduate program will be administered by the faculty of Criminology and Sociology in the Department of Behavioral Science at U. T. Permian Basin and is designed to provide students with a professional understanding of Criminal Justice Administration. The primary objective of the degree is to provide advanced education in areas directly relating to applied criminal justice research. The program is designed to provide individuals with advanced training for career positions and also to provide students with necessary research skills and background to facilitate subsequent entry into a doctoral program at another university.

The University currently has five full-time faculty members with appropriate terminal degrees for teaching in this program and students will be able to draw upon general administration theory through the graduate-level courses in business administration.

The University estimates that the total cost for five years will be just over \$200,000. Most of this cost is associated with employing one additional faculty member beginning in the third year. The cost for the first two years is estimated to be \$26,800. With the large anticipated first enrollments, the relatively low costs are expected to be met by appropriated funds from formulas.

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

10. U. T. Permian Basin: Establishment of the Falcon Athletic Club; Approval to Amend the Regents' Rules and Regulations, Part One, Chapter VII, Section 4, Subsection 4.3, Subdivision 4.33 (Internal Foundations) to Include the Falcon Athletic Club; and Establishment of the Falcon Athletic Club Advisory Council.--In order to provide The University of Texas of the Permian Basin with oversight and consistent, internal control of fund raising for athletic programs, the Board, upon recommendation of the Academic Affairs Committee:
 - a. Approved the resolution set out on Page 190 creating the Falcon Athletic Club as an internal foundation to benefit the athletic program at U. T. Permian Basin 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 4.3, Subdivision 4.33
 - c. Established the Falcon Athletic Club Advisory Council pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3.

In an effort to increase student enrollment and, thereby, to enhance its ability to provide quality academic programs, U. T. Permian Basin began the development of an athletic program in the Fall Semester 1994 using funds generated by an increase in the Compulsory Student Services Fee. In this introductory phase of the athletic program, Women's Volleyball and Men's Soccer were initiated and offered at the club level. Club-level participation does not require that U. T. Permian Basin join any associations, but competitive opportunities are very limited. Therefore, in keeping with its initial plans, U. T. Permian Basin applied for membership in the National Association of Intercollegiate Athletics (NAIA) as an independent. Beginning with the Fall Semester 1995, Women's Volleyball will compete at the NAIA level, Men's Soccer will remain at the club level, and a new program in Women's Fast Pitch Softball will be initiated at the club level.

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 Athletics of The University of Texas of the Permian Basin, 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 Falcon Athletic Club of the Department of Athletics of The University of Texas of the Permian Basin.

AND FURTHER, That the purpose of the said Club shall be to foster the understanding and development of the programs of the Department of Athletics at The University of Texas of the Permian Basin, and to encourage the making of gifts to the Club by deed, grant, will or otherwise for any purpose appropriate to the work of the Club.

AND FINALLY, That all donations to and assets of the Club shall be accepted and managed subject to the following conditions:

1. The unrestricted funds of the Club shall be devoted to the enrichment of the programs of the Department of Athletics of The University of Texas of the Permian Basin and shall not be used for the ordinary operating expenses of the Department of Athletics.

2. A donation to the Club may be made for a specific purpose and may be given in the name of the donor or other designation as specified by the donor or may be given as unrestricted funds. Gifts which meet or exceed the minimum endowment requirements of the Board of Regents may be presented for acceptance by the Board as permanently endowed funds for support of the Department of Athletics of The University of Texas of the Permian Basin.

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 Falcon Athletic Club 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 or 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 University funds, authorization for expenditure of all funds from the Athletic Club shall be vested in the Board of Regents and recommendations for such expenditures shall be made by the President of The University of Texas of the Permian Basin through the Executive Vice Chancellor for Academic Affairs to the Chancellor and by the Chancellor to the Board of Regents of The University of Texas System.

11. U. T. Permian Basin: Establishment of the (a) College of Arts and Sciences Advisory Council, (b) School of Business Advisory Council, and (c) School of Education Advisory Council.--The Academic Affairs Committee recommended and the Board established the following advisory councils at The University of Texas of the Permian Basin, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the Advisory Councils of a Component Institution:
- a. College of Arts and Sciences Advisory Council
 - b. School of Business Advisory Council
 - c. School of Education Advisory Council.

The specific purpose of each of the three Advisory Councils at U. T. Permian Basin will be to provide guidance and counsel as to the relevance of curricula, to assist in promoting outreach activities, and to provide advice on development matters.

12. U. T. San Antonio: Authorization to Separate the Division of Mathematics, Computer Science, and Statistics into the Division of Mathematics and Statistics and the Division of Computer Science and to Submit the Administrative Change to the Coordinating Board for Approval (Catalog Change).--The Board authorized the separation of the Division of Mathematics, Computer Science, and Statistics at The University of Texas at San Antonio into two divisions as follows and approved the submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action:
- a. Division of Mathematics and Statistics
 - b. Division of Computer Science.

Under the administrative change, the separate divisions will have responsibility for the following programs:

- a. The Division of Mathematics and Statistics will be responsible for the Bachelor and Master of Science in Mathematics degree programs
- b. The Division of Computer Science will be responsible for the Bachelor and Master of Science in Computer Science degree programs and the recently proposed Doctor of Philosophy in Computer Science degree program.

In addition to enhancing the implementation of the doctoral degree program in Computer Science, the creation of two separate divisions will allow for more effective quality control of the undergraduate and master's degree programs in each new division and allow faculty and staff to provide improved service to students. The change will not require an increase in personnel, and the cost of implementing the administrative change will be minimal.

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

13. U. T. Austin: Report on Changes in Academic Governance Structure.--At the conclusion of the Academic Affairs Committee meeting, Regent Temple called on President Berdahl to present a brief report on changes in the academic governance structure at The University of Texas at Austin.

President Berdahl summarized that the proposed changes in the academic governance structure at U. T. Austin, which included lots of compromise and negotiation, give the faculty more of a voice in the deliberations of those issues that are in the faculty domain, retain the decision-making authority of the President, and create an executive committee that would reflect the faculty structure. He pointed out that there were concerns expressed by the students but that they have proposed changes that would give them other access to the President's Office. Dr. Berdahl concluded by noting that the institution had made positive strides in this effort.

14. U. T. Board of Regents: Presentation of Certificates of Appreciation to Dr. Ryan C. Amacher, President of The University of Texas at Arlington.--On behalf of the Board, Regent Temple read and presented the following Certificate of Appreciation to Dr. Ryan C. Amacher, President of The University of Texas at Arlington, and noted that it is an expression of the Board's appreciation for Dr. and Mrs. Amacher's labor on behalf of U. T. Arlington and The University of Texas System:

The Board of Regents

of

The University of Texas System

Expresses sincere appreciation for the
leadership and service of

Ryan C. Amacher

as

President

The University of Texas at Arlington

1992-1995

(signed by all members of the Board)

On behalf of the presidents of the general academic institutions within the U. T. System, Executive Vice Chancellor for Academic Affairs Duncan presented the following certificate of appreciation to Dr. Amacher:

Certificate of Appreciation

The University of Texas System

Presented to

Ryan C. Amacher

In recognition of his outstanding leadership
and dedication to

The University of Texas at Arlington

as

President

1992-1995

President Amacher graciously accepted this accolade and expressed appreciation to the Board for the opportunity to serve the U. T. System.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Page 194).--Committee Chairman Loeffler 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 action set forth in the Minute Order which follows was recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

U. T. Health Science Center - Houston (U. T. Public Health School - Houston) and U. T. Southwestern Medical Center - Dallas: Authorization to Establish a Satellite Master of Public Health Degree Program and to Submit the Proposal to the Coordinating Board for Approval (Catalog Change).--Following opening remarks by Executive Vice Chancellor for Health Affairs Mullins and R. Palmer Beasley, M.D., Dean of The University of Texas School of Public Health at Houston, and upon recommendation of the Health Affairs Committee, approval was granted for the U. T. Public Health School - Houston at The University of Texas Health Science Center at Houston to offer its existing Master of Public Health degree through a new satellite program in Dallas in cooperation with The University of Texas Southwestern Medical Center at Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for approval.

As the only school in Texas authorized to award graduate degrees in public health, the U. T. Public Health School - Houston has a responsibility to make its programs available on a statewide basis. Satellite programs were established in San Antonio in 1979, El Paso in 1992, and the Dallas program was part of a plan presented to the Coordinating Board in 1992 to expand further the availability of public health education. The Dallas/Fort Worth Metroplex is one of the largest metropolitan areas in the nation without local access to the Master of Public Health degree program.

Implementation of the Dallas program is dependent on new funds being sought through the 74th Legislature as a Special Item for the U. T. Health Science Center - Houston. Interactive television and other electronic technologies will be used to enrich the curricula at Dallas. Current plans are for the Dallas satellite to admit its first Master of Public Health students in September 1996, with enrollment expected to reach 80 students by Fall 1997.

Upon approval by the Coordinating Board, the next appropriate catalogs published at the U. T. Health Science Center - Houston and the U. T. Southwestern Medical Center - Dallas will be amended to reflect the addition of this satellite program.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 195 - 207).--Committee Chairman Temple 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. Arlington: Approval to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1 (Naming of Buildings) and Change the Name of the Nursing Building to Pickard Hall.--Upon recommendation of the Facilities Planning and Construction Committee, the Board waived the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, requiring that persons to be honored with the naming of a building "shall have been deceased at least five years," and changed the name of the Nursing Building at The University of Texas at Arlington to Pickard Hall in recognition of the contributions of Professor Myrna Pickard, founding dean of The University of Texas System School of Nursing in Fort Worth and its successor the U. T. Arlington School of Nursing. Dean Pickard will retire on August 31, 1995.

2. U. T. Austin - Advocacy and Dispute Resolution Center (Project No. 102-814): Authorization to Increase Total Project Cost; Approval of Preliminary Plans; Authorization to Prepare Final Plans and Specifications; Submission of the Project to the Coordinating Board; Approval of Evaluation of Solar Energy Economic Feasibility; Authorization to Advertise for Bids and for the Executive Committee to Award Contracts; Approval to Waive the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, and Name the Building the John B. Connally Center for the Administration of Justice; and Additional Appropriation Therefor.--Following a brief overview by President Berdahl, the preliminary plans and specifications for the Advocacy and Dispute Resolution Center at The University of Texas at Austin were presented to the Facilities Planning and Construction Committee by Mr. Norman Hoover, representing the Project Architect, 3/D International, Inc., Houston, Texas.

Based upon this presentation, the Board, upon recommendation of the Facilities Planning and Construction Committee:

- a. Authorized an increase in the total project cost for the Advocacy and Dispute Resolution Center at U. T. Austin from \$7,500,000 to \$11,000,000 with the increase funded from General Fee Balances
- b. Approved preliminary plans and specifications at the revised total project cost
- c. Authorized preparation of final plans and specifications

- d. Authorized submission of the project to the Texas Higher Education Coordinating Board
- e. Approved the evaluation of solar energy economic feasibility
- f. 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 this project within the authorized total project cost
- g. Waived the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.1, requiring that persons to be honored with the naming of a building "shall have been deceased at least five years," and named the Advocacy and Dispute Resolution Center the John B. Connally Center for the Administration of Justice in honor of former Governor John B. Connally, one of the most important and respected figures in Texas government and higher education
- h. Appropriated \$7,100,000 from Permanent University Fund Bond Proceeds and \$3,500,000 in General Fee Balances. Previous appropriations had been \$400,000 from the Available University Fund.

This project, as an addition to the School of Law (Townes Hall), will provide approximately 39,000 gross square feet for teaching, research, and public service space.

The initial project cost estimate was a speculative estimate prepared by the U. T. Austin Physical Plant Architectural and Engineering Services Division without benefit of complete program requirements, site selection, or design criteria. Since that time, the Project Architect has determined a suitable site location, completed preliminary plans, and developed specifications for a building with a quality of construction compatible with Townes Hall. Based on preliminary plans, the University will need to increase the total project budget to \$11,000,000 in order to complete the project as designed.

House Bill 2626 of the 73rd Session of the Texas Legislature requires the governing body of the appropriate state agency to verify in an open meeting the economic feasibility of incorporating solar energy devices into new state buildings. Therefore, the Project Architect prepared an evaluation for this project in accordance with instructions from the State Energy Conservation Office of the General Services Commission. This evaluation determined that a solar-generated domestic hot water system for the project is not economically feasible since steam for this purpose is available at more competitive costs.

Approval of this item amends the FY 1994-1999 Capital Improvement Plan and the FY 1995 Capital Budget with a revised project cost of \$11,000,000 funded by

\$7,100,000 in Permanent University Fund Bond Proceeds, to be financed by reductions in the U. T. Austin annual Available University Fund allocation as required, \$400,000 from the Available University Fund, and \$3,500,000 from General Fee Balances.

3. U. T. Austin - Renovation of Gregory Gymnasium (Project No. 102-817): Approval of Preliminary Plans and Specifications; Authorization to Prepare Final Plans and Specifications; Submission of the Project to the Coordinating Board; Advertisement for Bids; Executive Committee Award of Contracts; Appropriation Therefor; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--Following opening remarks by President Berdahl, Mr. Ron Shaw, representing the Project Architect, F&S Partners Incorporated, Dallas, Texas, presented the preliminary plans and specifications for the Renovation of Gregory Gymnasium at The University of Texas at Austin to the Facilities Planning and Construction Committee.

Based on this presentation and upon recommendation of the Facilities Planning and Construction Committee, the Board:

- a. Approved preliminary plans and specifications for the Renovation of Gregory Gymnasium at U. T. Austin at an estimated total project cost of \$20,700,000
- b. Authorized preparation of final plans and specifications
- c. Authorized submission of the project to the Texas Higher Education Coordinating Board
- d. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
- e. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost
- f. Appropriated an additional \$1,625,000 from General Fee Balances and \$18,700,000 from Revenue Financing System Bond Proceeds which, when combined with previous appropriations of \$375,000 from General Fee Balances, will provide \$20,700,000 in total project funding.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page 198, the Board resolved that:

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

- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. U. T. Austin, which is a **"Member"** as such term is used in the Master Resolution, possesses the financial capacity to satisfy its Direct Obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of **\$18,700,000**
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

This project is included in the FY 1994-1999 Capital Improvement. Plan and the FY 1995 Capital Budget with funding in the amount of **\$18,700,000** from Revenue Financing System Bond Proceeds and **\$2,000,000** in General Fee Balances for a total of **\$20,700,000** in total project funding.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993 (the "Master Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity **Debt**" pursuant to the Master Resolution to finance the cost of the construction of U. T. Austin - Renovation of Gregory Gymnasium (Project No. **102-817**) at U. T. Austin, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution, and is not in default of any of the terms, provisions and conditions in said Master Resolution, First Supplemental Resolution and Second Supplemental Resolution as amended.

EXECUTED this 11 day 1 of May 9 5

John D. Row
Assistant Vice Chancellor for Finance

4. U. T. Austin - Women's Softball Field - Stage One Playing Field (Project No. 102-840): Approval of Preliminary Plans; Authorization to Prepare Final Plans and Specifications; Submission of Project to the Coordinating Board; Advertisement for Bids; Executive Committee Award of Contracts Associated with Stage One; and Additional Appropriation Therefor.--Following a brief presentation on the site plan for the Women's Softball Field - Stage One Playing Field at The University of Texas at Austin by President Berdahl, the Board, upon recommendation of the Facilities Planning and Construction Committee:
- a. Approved the preliminary plans for the U. T. Austin Women's Softball Field - Stage One Playing Field at an estimated total project cost of \$600,000
 - b. Authorized preparation of final plans and specifications for Stage One
 - c. Authorized submission of the Stage One project to the Texas Higher Education Coordinating Board
 - d. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review
 - e. Authorized the Executive Committee to award all contracts associated with the Stage One project within the authorized total project cost
 - f. Appropriated \$600,000 from Unexpended Plant Funds and Gifts and Grants for Stage One Playing Field project costs. Previous appropriations had been \$56,000 from Auxiliary Enterprise Balances for Stage Two fees and administrative expenses.

While a speculative cost estimate of \$2,000,000 was used for the FY 1994-1999 Capital Improvement Plan, it was reported that further review and planning would be needed before a firm recommendation could be made regarding total project cost. Planning has not progressed to the point that a reliable cost estimate is available, but early indications are that a project budget in the range of \$4 million will be needed to complete the project at a quality comparable to Disch-Falk Field.

Since the Softball Field will be natural Bermuda grass, it is important for the construction of the playing surface to start as soon as possible so the grass will be established prior to the 1996 softball season. Therefore, dividing the project into two stages, with Stage One being the playing field, and Stage Two being the grandstand, ticket building, and related facilities, insures that the grandstand and adjacent building receive proper attention for design, aesthetics, and cost, including input from the Campus Master Plan Committee, while not delaying the earliest possible construction of the playing field.

Unexpended Plant Funds will be appropriated for the project with the understanding that U. T. Austin plans to raise funds from private sources for a large part,

if not all, of the cost.

Approval of this item amends the FY 1994-1999 Capital Improvement Plan and the FY 1995 Capital Budget with regard to funding sources.

5. U. T. Brownsville - Science and Engineering Technology Building (Project No. 902-815); U. T. San Antonio - Downtown Building (Project No. 401-818); and U. T. Health Science Center - San Antonio - Health Sciences Building Program - Allied Health/Research Building (Project No. 402-827): Additional Appropriation Therefor and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--The Facilities Planning and Construction Committee recommended and the Board appropriated from Tuition Revenue Bond Proceeds an additional:
 - a. \$19,325,000 to The University of Texas at Brownsville Science and Engineering Technology Building for total project funding of \$23,875,000. Previous appropriations for this project had been \$4,175,000 from Tuition Revenue Bond Proceeds plus an allocation of \$375,000 in gifts and grants from Texas Southmost College related to the associated Thermal Energy Plant.
 - b. \$16,030,000 to The University of Texas at San Antonio Downtown Building for total project funding of \$20,000,000. Previous appropriations for this project had been \$3,970,000 from Tuition Revenue Bond Proceeds.
 - c. \$17,690,000 to The University of Texas Health Science Center at San Antonio - Health Sciences Building Program - Allied Health/Research Building for total project funding of \$19,000,000. Previous appropriations for this project had been \$1,310,000 from Tuition Revenue Bond Proceeds.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and upon delivery of the Certificate of an Authorized Representative as set out on Page 201, the Board resolved that:

- a. Parity Debt shall be issued to pay project costs including any project costs paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System

- c. U. T. component institutions, which are **"Members"** as such term is used in the Master Resolution, possess the financial capacity to satisfy their Direct Obligations as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of **\$62,355,000**. The debt per project is as follows: U. T. Brownsville - Science and Engineering Technology Building **\$19,325,000**; U. T. San Antonio - Downtown Building **\$16,030,000**; U. T. Health Science Center - San Antonio - Health Sciences Building Program - Allied Health/Research Building **\$19,000,000**; U. T. Health Science Center - San Antonio - Health Sciences Building Program - School of Nursing Addition and Renovation **\$6,000,000**; and The University of Texas at Austin - McDonald Observatory - Spectroscopic Survey Telescope (SST) - Enclosure and Facilities **\$2,000,000**
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993 (the **"Master Resolution"**), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5(a) (ii) of the Master Resolution in connection with the authorization by the Board to issue **"Parity Debt"** pursuant to the Master Resolution to finance the cost of the construction of the Science and Engineering Technology Building at U. T. Brownsville; the Health Sciences Building Program - Allied Health/Research Building at U. T. Health Science Center - San Antonio; the Downtown Building at U. T. San Antonio, the Health Sciences Building Program - School of **Nursing** Addition and Renovation at the U. T. Health Science Center - San Antonio, and the McDonald Observatory - Spectroscopic Survey Telescope (SST) - Enclosure and Facilities at U. T. Austin, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, First Supplemental Resolution Establishing an Interim Financing Program, and the Second Supplemental Resolution, and is not in default of any of the terms, provisions and conditions in said Master Resolution, First Supplemental Resolution and Second Supplemental Resolution as amended.

EXECUTED this 11/20/95 of _____, 1995

John A. Roan
Assistant Vice Chancellor for Finance

6. U. T. Pan American - Science Building (Project No. 901-841): Approval of Preliminary Plans and Specifications; Authorization to Prepare Final Plans and Specifications; Submission of the Project to the Coordinating Board; Approval of Evaluation of Solar Energy Economic Feasibility; Appropriation Therefor; Advertisement for Bids; and Executive Committee Award of Contracts.--Following a brief overview by President Nevarez, the preliminary plans and specifications for the Science Building at The University of Texas - Pan American were presented to the Facilities Planning and Construction Committee by Mr. John Kell, representing the Project Architect, Kell Muñoz Wigodsky, San Antonio, Texas.

Based upon this presentation, the Board, upon recommendation of the Facilities Planning and Construction Committee:

- a. Approved preliminary plans and specifications for the Science Building at U. T. Pan American at an estimated total project cost of \$26,000,000
- b. Authorized preparation of final plans and specifications
- c. Authorized submission of the project to the Texas Higher Education Coordinating Board
- d. Approved the evaluation of solar energy economic feasibility
- e. Appropriated \$26,000,000 from Higher Education Assistance Fund (HEAF) Bond Proceeds for total project funding. A HEAF Bond proposal will be submitted to the U. T. Board of Regents for approval at a future meeting. Previous appropriations had been \$500,000 from Unexpended Plant Funds which will be reimbursed from HEAF Bond Proceeds when issued.
- f. Authorized the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and approval of the HEAF Bond Proposal
- g. Authorized the Executive Committee to award all contracts associated with this project within the authorized total project cost.

House Bill 2626 of the 73rd Session of the Texas Legislature requires the governing body of the appropriate state agency to verify in an open meeting the economic feasibility of incorporating solar energy devices into new state buildings. Therefore, the Project Architect prepared an evaluation for this project in accordance with instructions from the State Energy Conservation Office of the General Services Commission. This evaluation determined that a solar-generated domestic hot water system for the project is not economically feasible.

This project is included in the FY 1994-1999 Capital Improvement Plan and the FY 1995 Capital Budget. Funding for the project is \$26,000,000 from Higher Education Assistance Fund (HEAF) Bond Proceeds. The availability of HEAF Bond Proceeds is contingent upon passage of enabling legislation (HB 2462, SB 1285 or similar legislation) covering the ten-year period beginning September 1, 1995. In the unlikely event that such legislation does not pass, bonds would not be sold and the direct HEAF appropriation would be used to pay for architectural services with construction being delayed until sufficient HEAF appropriations had been accumulated.

7. U. T. Permian Basin - Repair and Rehabilitation Projects - Mesa Deck Repair - Phase One (Project No. 501-831): Approval of Preliminary Plans and Specifications; Authorization to Prepare Final Plans and Specifications; Submission of the Project to the Coordinating Board; and Advertisement for Bids and Executive Committee Award of Contracts.--The Board, upon recommendation of the Facilities Planning and Construction Committee:
- a. Approved preliminary plans and specifications for the Repair and Rehabilitation Projects - Mesa Deck Repair - Phase One at The University of Texas of the Permian Basin at an estimated total project cost of \$1,270,000
 - b. Authorized preparation of final plans and specifications
 - c. Authorized submission of the project to the Texas Higher Education Coordinating Board
 - d. 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 this project within the authorized total project cost.

The major buildings on the U. T. Permian Basin campus were occupied in early 1974. During this 20-year period, a number of capital renewal and deferred maintenance problems have developed. This project is to repair water leaks in the Upper Mesa Plaza. Other Critical Repair and Rehabilitation Projects with less than a \$600,000 total project cost are being managed by U. T. Permian Basin.

To address the funding of these critical repairs at U. T. Permian Basin, the FY 1994 Capital Budget contained an allocation of \$469,000, and the FY 1995 Capital Budget contains an additional allocation of \$1,731,000 for a total of \$2,200,000 from Permanent University Fund Bond Proceeds Reserves for Library, Equipment, Repair and Rehabilitation. Funding for this project is \$1,270,000 from this source. Previous obligations for other critical repair and rehabilitation projects totaled \$930,000.

It is anticipated that in FY 1996, additional Permanent University Fund Bond Proceeds Reserves for Library, Equipment, Repair and Rehabilitation will be allocated for Mesa Deck Repair - Phase Two to complete the critical repairs at U. T. Permian Basin.

8. U. T. Permian Basin: Approval of an Amendment to the Ground Lease Agreement with the City of Odessa, Odessa, Texas, and Authorization for Executive Vice Chancellor for Academic Affairs to Execute Ground Lease Agreement.--On behalf of The University of Texas of the Permian Basin, the Board approved an amendment to a long-term ground lease agreement with the City of Odessa, Odessa, Texas, covering 99.27 acres of campus land, as set out on Pages 205 - 206.

Further, the Executive Vice Chancellor for Academic Affairs was authorized to execute, on behalf of the U. T. Board of Regents, the ground lease amendment following approval by the Executive Vice Chancellor for Business Affairs and the Office of General Counsel.

At the February 1994 meeting, the U. T. Board of Regents approved a lease with the City of Odessa, Odessa, Texas, for 99.27 acres of land located in the northeast corner of the U. T. Permian Basin campus for a city park and recreational sports facilities. A softball complex and public park on the site are currently operated by the City of Odessa. The 1993 ground lease is for a term of fifteen (15) years, with automatic renewals for four additional five-year terms unless canceled by either party.

The City of Odessa has received notice it is the potential recipient of a \$500,000 matching grant from the Texas Parks and Wildlife Department through the Texas Recreation and Parks Account to assist in construction of playing fields and roads as part of the City's planned \$1.8 million project on the site. However, prior to further consideration of the grant application, the Texas Parks and Wildlife Department has requested that the existing lease be amended to provide for a term of twenty-five (25) years ending on November 9, 2018.

This amended lease term will result in improvements of benefit to the University community and is not in conflict with the U. T. Permian Basin Land Use Master Plan. U. T. Permian Basin has a successful relationship with the City of Odessa and beneficial use of the sports and support facilities. The ground lease amendment will be effective only upon receipt of the grant by the City.

AMENDMENT TO LEASE AGREEMENT

STATE OF TEXAS
COUNTY OF ECTOR

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, on November 9, 1993, the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, on behalf of THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN ("Lessor"), entered into a lease agreement with THE CITY OF ODESSA, TEXAS, ("Lessee"), for the construction and maintenance of facilities on land owned by Lessor, and said Agreement being attached hereto as Exhibit "A"; and

WHEREAS, Lessee is desirous of amending the existing Ground Lease Agreement to provide for a term of twenty-five (25) years; and

WHEREAS, it is mutually AGREED by all parties to this Agreement that it is for the best interest of Lessor and Lessee to amend the existing lease agreement; and

NOW, THEREFORE, for and in consideration of the above premises and the mutual covenants and agreements hereinafter stipulated, Lessor and Lessee mutually agree that, conditioned upon receipt by the City of Odessa of a \$500,000 grant on or before _____ for improvement to the Leased Premisee, this Article 2 of the attached Ground Lease Agreement is hereby amended as set out below in congressional style:

2.01. This lease shall be for a term of twenty-five (25) [~~fifteen (15)~~] years, referred to as the lease term, commencing on November 9, 1993, and expiring on November 9, 2018 [~~2008~~]; subject, however, to earlier termination as hereinafter provided. After the twenty-five year [~~fifteen-year~~] initial term, the lease shall be automatically extended for four additional five-year terms, unless canceled by either party hereto in writing, no less than ninety (90) days prior to the expiration of the existing term.

If the above-described grant is not received by the City of Odessa on or before _____, then this Amendment shall be void and of no effect.

Lessor and Lessee mutually AGREE that all other terms, provisions and conditions of the attached Agreement shall remain in full force and effect during all the terms of the Agreement as set out therein.

EFFECTIVE on the _____ day of _____, 1995.

BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS SYSTEM
FOR AND ON BEHALF OF
THE UNIVERSITY OF TEXAS OF
THE PERMIAN BASIN

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

James P. Duncan
Executive Vice Chancellor for
Academic Affairs

APPROVED AS TO CONTENT:

APPROVED AS TO FORM:

Charles A. Sorber
President, The University of
Texas of the Permian Basin

Max Werkenthin
University Attorney

ATTEST:

CITY OF ODESSA

City Secretary

By: _____
Jerry McGuire
City Manager

STATE OF TEXAS

COUNTY OF TRAVIS

This instrument was acknowledged before me on the _____ day of _____, 1995, by James P. Duncan, Executive Vice Chancellor for Academic Affairs of The University of Texas System, on behalf of the Board of Regents of The University of Texas System.

Notary Public in and for
The State of Texas

STATE OF TEXAS

COUNTY OF ECTOR

This instrument was acknowledged before me on the _____ day of _____, 1995, by Jerry McGuire, City Manager, on behalf of the city of Odessa.

Notary Public in and for
The State of Texas

9. U. T. Health Science Center - San Antonio: Acceptance of a Gift of 3.467 Acres of Land in San Antonio, Bexar County, Texas, from the San Antonio Medical Foundation, San Antonio, Texas, to Provide Parking Facilities for the Allied Health/Research Building.--A gift of 3.467 acres of land in San Antonio, Bexar County, Texas, was accepted from the San Antonio Medical Foundation, San Antonio, Texas, to provide parking facilities for the soon to be constructed Allied Health/Research Building at The University of Texas Health Science Center at San Antonio.

At its February 1988 meeting, the U. T. Board of Regents authorized the acceptance of twenty-five acres of land from the San Antonio Medical Foundation for the U. T. Health Science Center - San Antonio which was used as the site of the Robert F. McDermott Clinical Science Building. At that time, the San Antonio Medical Foundation indicated that it would donate up to twenty-five additional acres of land for use by the U. T. Health Science Center - San Antonio at a future date. The new Allied Health/Research Building will be constructed on the original twenty-five acre tract of land. The gift of 3.467 acres of land lies immediately south of the original gift and will be used for additional parking for the research complex.

* * * * *

At the conclusion of the Facilities Planning and Construction Committee meeting, Committee Chairman Temple reported that at today's (May 11) meeting the Board had approved a recommendation from the Executive Committee to award four (4) general construction contracts which included a 12.3% participation by Historically Underutilized Businesses, 7.9% by women-owned firms and 4.4% by minority-owned firms.

REPORT AND RECOMMENDATIONS OF THE ASSET MANAGEMENT COMMITTEE (Pages 208 - 211). --Committee Chairman Hicks 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.

Chairman Hicks also reported that under procedures approved by the Board at the December 1994 meeting and effective with this meeting gifts and bequests conforming to **Regental** gift policy were submitted on Pages G & B 1 - 25 of The University of Texas System Administration Docket and accepted via the Business Affairs and Audit Committee agenda. **Seventy-five** (75) gifts and bequests, recommending acceptance of \$6.3 million in gifts and \$674,000 in matching contributions from the Regents' Endowment Matching Program were approved for this meeting.

PERMANENT UNIVERSITY FUND

Summary Investment Report at February 28, 1995.--Committee Chairman Hicks reviewed the Report on Permanent University Fund Investments and Income at February 28, 1995, as prepared by the Office of Asset Management and as set forth below:

PERMANENT UNIVERSITY FUND¹
SUMMARY REPORT
(\$ millions)

	<u>FY93-94</u>		<u>FY94-95</u>	
	<u>Full Year</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>Year-to-date</u>
Beginning Market Value	4,468.7	4,428.0	4,272.3	4,428.0
PUF Lands Receipts ²	59.6	15.8	12.7	28.5
Investment Income	242.3	64.7	59.0	123.7
Investment Income Distributed	(242.3)	(64.7)	(59.0)	(123.7)
Realized Gains (Losses)	108.6	11.0	23.9	34.9
Change in Unrealized Gains (Losses)	<u>(208.9)</u>	<u>(182.5)</u>	<u>152.1</u>	<u>(30.4)</u>
Ending Market Value	4,428.0	4,272.3	4,461.0	4,461.0
 AUF Income				
Investment Income	242.3 ³	64.7	59.0	123.7
Surface Income	4.3	0.4	1.2	1.6
Other Income	<u>0.2</u>	<u>0.1</u>	<u>0.0</u>	<u>0.1</u>
Total	246.8	65.2	60.2	125.4

¹Excludes PUF Lands mineral and surface interests with estimated values of \$391.6 million and \$105 million, respectively.

²As of February 28, 1995: 763,449 acres under lease, 521,838 producing acres, 2,535 active leases and 2,076 producing leases.

³Amended to exclude fees previously reflected as offset to income.

II. LONG TERM FUND (FORMERLY COMMON TRUST FUND)

Summary Investment Report at February 28, 1995.--Committee Chairman Hicks reviewed the Report on Long Term Fund Investments and Income at February 28, 1995, as prepared by the Office of Asset Management and as set forth below:

LONG TERM FUND
SUMMARY REPORT
(\$ millions)

	<u>FY93-94</u>	<u>FY94-95</u>		
	<u>Full Year</u>	<u>1st Otr</u>	<u>2nd Otr</u>	<u>Year-to-date</u>
Beginning Market Value	1,128.0	1,226.3	1,193.2	1,226.3
Contributions	111.8	16.9	11.6	28.5
Investment Income	62.3	15.8	16.0	31.8
Expenses	(2.1)	(0.6)	(0.6)	(1.2)
Distributions	(62.7)	(16.3)	(16.5)	(32.8)
Realized Gains (Losses)	36.3	1.9	7.5	9.4
Change in Unrealized Gains (Losses)	<u>(47.3)</u>	<u>(50.8)</u>	<u>42.2</u>	<u>(8.6)</u>
Ending Market Value	1,226.3	1,193.2	1,253.4	1,253.4
Net Asset Value per Unit	3.336	3.202	3.332	
No. of Units (End of Period)	367,542,933	372,595,190	376,234,654	
Distribution Rate per Unit	.175	0.04375	0.04375	

III. TRUST AND SPECIAL FUNDS

Gifts, Bequests and Estates

1. U. T. Austin: The Michener 1990 Charitable Trust - Approval for Distribution of Income.--The Board, as Trustee of The Michener 1990 Charitable Trust at The University of Texas at Austin, approved annual income distributions for 1994-1995 as follows:
 - a. University of Miami \$12,000
 - b. University of Iowa \$60,000 and 67% income remainder
 - c. University of Houston \$24,000 and 33% income remainder.

2. U. T. Health Center - Tyler: Acceptance of Remainder Interest in the Earl C. Kinzie, D.O. and Mavern Kinzie Charitable Remainder Trust from Dr. and Mrs. Earl C. Kinzie, Lindale, Texas, and Appointment of the U. T. Board of Regents as Trustee of the Trust.--Upon recommendation of the Asset Management Committee, the Board accepted a fifty percent remainder interest in the Earl C. Kinzie, D.O. and Mavern Kinzie Charitable Remainder Trust, initially funded with 750 shares of Etext Banco, Inc. common stock, valued at \$312,608 from Dr. and Mrs. Earl C. Kinzie, Lindale, 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 annual distribution of the lesser of the trust income for the taxable year or six percent of the net fair market value of the trust assets, valued as of the first day of the taxable year, to be paid quarterly to Dr. and Mrs. Earl C. Kinzie during their lifetimes.

Upon termination of the Trust, fifty percent of the corpus of the Trust shall be distributed to the U. T. Board of Regents for the benefit of the U. T. Health Center - Tyler, specifically to establish the Dr. Earl C. and Mavern Kinzie Resident Endowment. A request to establish the endowment will be made at a later date. The remaining fifty percent of the corpus will be distributed for the benefit of the City of Lindale, Texas.

RECONVENE.--At 2:45 p.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEM FOR THE RECORD

U. T. Dallas - Excellence in Education Foundation Endowment and Callier Center for Communication Disorders Endowment: Amendment to Minute Order of August 11, 1994, to Reflect Correct Value of Gift and Number of Acres of Land.--At the August 1994 meeting, the U. T. Board of Regents, at the request of The University of Texas at Dallas, established the Excellence in Education Foundation Endowment and the Callier Center for Communication Disorders Endowment from a previously accepted gift from the Excellence in Education Foundation, Dallas, Texas.

The August 1994 action is herewith amended to reflect the correct value of the gift as \$16,416,889.87 instead of \$12,628,065 and the correct number of acres of land as approximately 228 instead of 243.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Rapoport reported that the Board had met in Executive Session in the Executive Vice President's Conference Room of the Administration Building to discuss matters in accordance with Texas Government Code, Chapter 551, Sections 551.071, 551.072, and 551.074. In response to Chairman Rapoport's inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. M.D. Anderson Cancer Center: Settlement of Medical Liability Litigation - Duane R. Brownlow and Theresa Brownlow.--Regent Loeffler moved that the Chancellor and the Office of General Counsel be authorized to settle on behalf of The University of Texas M.D. Anderson Cancer Center the medical liability litigation brought by Duane R. Brownlow and Theresa Brownlow in accordance with the proposal presented in Executive Session.

Regent Temple seconded the motion which prevailed without objection.

2. U. T. El Paso: Approval of Finding of Faculty Hearing Tribunal Regarding Tenured Faculty Member and Termination of Employment of Dr. Robert G. McIntyre Effective May 11, 1995.--Based upon the transcript of the testimony and the exhibits from the hearing before the Faculty Hearing Tribunal on January 30, 1995, Regent Temple moved that the Board approve the hearing tribunal's finding that Dr. Robert G. McIntyre has consistently and repeatedly engaged in inappropriate and irresponsible academic practices related to grading and class attendance; that he regularly and routinely ridiculed individual students and made sexist statements in class; and that such conduct by Dr. McIntyre constitutes good cause for termination as a tenured faculty member at The University of Texas at El Paso.

Regent Temple further moved that the termination of Dr. McIntyre be effective at 5:00 p.m., May 11, 1995.

The motions were seconded by Regent Loeffler and Vice-Chairman Smiley and carried by unanimous vote.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regents Rapoport and Lebermann, as members 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 has not met since its last meeting on November 10, 1994.

On May 23, 1995, 43,723 acres of Permanent University Fund lands will be offered for lease in the 87th Oil and Gas Lease Sale, and 471,811 acres will be offered for lease in the Frontier Oil and Gas Lease Sale 87-A at the Center for Energy and Economic Diversification in Midland, Texas.

REPORT OF SPECIAL COMMITTEES

U. T. Board of Regents - Special Committee on Minorities and Women: Report by Committee Chairman Holmes.--Chairman Rapoport reported that he had asked Regent Holmes to chair a Special Committee on Minorities and Women which will have a defined responsibility to advance The University of Texas System initiatives in these two important areas. Chairman Rapoport then called on Regent Holmes who presented the following report:

Report

The Special Committee on Minorities and Women held its first briefing on Monday, April 10, 1995, at The University of Texas System offices in Austin. Regents Evans, Smiley, and I were present with Chairman Rapoport and Chancellor Cunningham involved in the initial part of the meeting. Also present were members of the U. T. System Administration, including Mrs. Shirley Bird Perry, Mrs. Francie A. Frederick, Mr. Trennis L. Jones, Dr. Homer J. Pena, and Mr. Lewis W. Wright.

The Committee discussed its general role, scope, and organization, and agreed that its special focus should be on the work of the two Systemwide committees appointed by Chancellor Cunningham -- the Committee on the Advancement of Minorities and the Committee on the Advancement of Women. The April 1994 charges to the two committees were reviewed, and a brief description of the general approaches taken by the two committees was provided. It was agreed that the chairs of the committees should be invited to meet with the Special Committee at its July meeting/briefing. Progress

reports and a discussion of the work of the committees will form the major agenda for this session with reports to the Board from these committees scheduled for later this year.

Further, it was agreed that the U. T. System Administration should review existing mechanisms for collecting and compiling data on minority and women faculty and senior administrators at the fifteen U. T. components. If appropriate or necessary, alternative reporting mechanisms will be developed and implemented in order to provide the Committee with the information needed to fulfill its responsibilities. A report on this topic will be provided to the Committee at its July meeting/briefing.

The appointment of this Special Committee on Minorities and Women reinforces the Board's continued commitment to equality and fairness in all its efforts.

OTHER MATTERS

1. U. T. System: Annual Report on the Activities of the Student Advisory Group.--At the request of Chairman Rapoport, Chancellor Cunningham introduced Mr. Robert Parker, a student at The University of Texas at Tyler, who is Chair of The University of Texas System Student Advisory Group.

Mr. Parker then presented the following report concerning the Group's activities during the past year:

Report by Mr. Robert Parker
Chair, Student Advisory Group

Well, first of all, I would like to thank the Board for the opportunity to speak for the second time in as many meetings on behalf of The University of Texas System Student Advisory Group. I would also like to thank Regent Smiley who attended our April Advisory Group meeting. Her presence and input were very valuable to the entire group, and I look forward to more attendance from the various Regents.

I must start by saying that it has been an honor to have served on this Advisory Group for four years and to have served as Chair for this current term, and in the process its even been more rewarding to have received my bachelors and my masters from The University of Texas at Tyler.

The purpose of my appearance here today is the Student Advisory Group's annual report. It is my pleasure to inform the Board that in a year of busy legislative sessions as well as various student concerns our Group did finish the spring with very productive meetings with the very valuable assistance of teleconferencing. As a result, we passed unanimously eight recommendations, five of which are currently under review by Chancellor Cunningham and are currently also receiving input from the various component presidents. A final report to the Regents will be forthcoming after the review from the Chancellor has been received.

I would like to provide a brief description of each of the five recommendations that are currently being reviewed, not only for the benefit of the Board but also for the guests in attendance. The theme of these ideas, as is any idea with the student organization, is increased student input. This is found as the central theme in each of the five recommendations.

The first proposal concerns student sexual harassment guidelines and originated from the Student Rights Subcommittee which is chaired by Kevin Chen who attends The University of Texas Medical Branch at Galveston. The purpose behind this proposal is to develop a uniform system of guidelines for all the campuses to utilize. It was a concern that there didn't seem to be a uniform policy. The Group or the subcommittee gathered information, reviewed the various policies from the different components, and tried to outline a framework of uniform guidelines for sexual harassment policies. This was a year-long project.

The second issue originated out of the Tuition and Fees Subcommittee which is chaired by Sherry Boyles from The University of Texas at Austin, and this involves the creation of a fee oversight subcommittee which would have student input. Currently there are mechanisms for students to have input in the raising and lowering of student service fees. However there is concern over other types of fees. There are fees outside of the student service area which are being implemented without formal student input. Sherry and the subcommittee came forth with a very thorough proposal in which campuses could look at receiving student input for various fees.

The third area came from Academic Affairs which is chaired by Nicole Darnell from The University of Texas at Arlington. Their proposal involves course frequency. As I am sure all are aware, scheduling of courses can be a nightmare for students. Specifically, when choices are made for specific courses not knowing whether or not the one that is not selected will be offered the following semester. It is possible that a graduate could be delayed by a semester by making the wrong choices. The Group suggests a policy in which schools in their semester scheduling could let students know the time scheduling of future related courses. That way students could make informed decisions involving their course scheduling. Now obviously we realize that there would be some extreme cases where that would be impossible.

The fourth issue comes out of the Graduate Affairs Subcommittee which is a committee that we formally made part of our Group this year seeing how graduate students have just as many concerns as undergraduate students do. This committee is chaired by Brendan Guilfoyle who is from The University of Texas at Austin. Of course, they tackled many issues this year and looked at various ways of getting graduate input in several aspects of the universities. The result is a proposal to get graduate student input on the student service and other fee committees. There is not a formal mechanism to give graduate students an opportunity to offer their insight on how the student service or other fees affect them. They pay them just the same as undergraduate students.

The final area involves decisions and proposals offered from the Executive Committee which have been unanimously endorsed by the Group. The first is a proposal to appoint from our Advisory Group student liaisons to the Regental committees. Looking at the agenda you can tell that you have some committees which seem to correspond in missions to ours, such as Academic Affairs, Health Affairs, and Minorities and Women. These students would not be voting but simply there to receive and offer input and understand the process in which ideas are formed. Obviously, when ideas come before the Board at these formal meetings, the decision making for the most part is already completed. Students in this situation would have the opportunity to provide insight and in turn come back to our Group and give better direction for these subcommittees to tackle certain issues. The second area involved taking a page from one of my courses "Reinventing Government" and looking at positions on our Student Advisory Group that were not being utilized to their full effectiveness. Those two are the vice chair and legislative relations officer. The vice chair is not utilized a great deal while the legislative relations officer is only useful related to legislative sessions. We have suggested that these two positions be combined. Since we are completing or about to complete our sixth session as an Advisory Group, we are suggesting the need for an historian. Our group has realized that this year we have rehashed issues that have already been addressed and resolved, and there is a need for an ongoing record of the Group's activities. Having an historian would not only allow past issues to be tracked but issues that are implemented now and in the future could be followed to evaluate their effectiveness. The historian will also be in charge of creating a newsletter which we feel will be a very important instrument for us to facilitate information to all the components as well as to the Board of Regents.

In conclusion, the five issues that we talked about are issues where students are looking for increased input. Again, these are issues that involve simple recommendations not necessarily anything that takes an act of Congress so to speak. However, we do feel that these are important for the administrations and various components to consider. I do believe that in the four years I have served on this Group that each Group looks for more effective and more efficient ways of making the Group more valuable to students and to the U. T. System. This year is no different. We have created a newsletter, have utilized teleconferencing, and I am glad to have been a part of it.

I thank you again for the opportunity to present this report and I look forward to your feedback as well as your attendance at our June 2-3 meeting.

Thank you very much.

Vice-Chairman Smiley noted that she enjoyed the Student Advisory Group meeting in April and commented that the students are very serious and thoughtful in their deliberations.

2. U. T. Arlington: Presentations by Members of the Coalition of African-American Community Based Organizations, Baptist Ministers Union of Tarrant County and Vicinity, and Tarrant Black Methodist Alliance.--Chairman Rapoport reported that, since the Material Supporting the Agenda was distributed, he had agreed to requests from the following groups to address the Board regarding matters associated with The University of Texas at Arlington:
- a. Coalition of African-American Community Based Organizations represented by Mr. Lee Alcorn
 - b. Baptist Ministers Union of Tarrant County and Vicinity represented by Reverend Julius Jackson, Sr. who is also President of the Black Pastors' Association of Texas
 - c. Tarrant Black Methodist Alliance represented by its President, Dr. LeRoy Haynes, Jr.

Each of these groups was allocated ten minutes for its presentation, and Chairman Rapoport reminded each of these Groups that it would be necessary to honor the ten minute limitation so that each group will have an equal opportunity.

Comments of Mr. Lee Alcorn

Chancellor and the Board, I am Lee Alcorn. I am the first Vice President of the Texas State Conference of the NAACP Branch and also the President of the Dallas NAACP Branch. I am here with the Coalition and I would like to ask the Coalition members to please stand. Thank you.

Before my ten minutes start running, Mr. Chairman, I just want to offer a couple of recommendations. The first is that we made a very intense effort to get here coming through thunderstorms and hail, and I would like to suggest that when we have groups such as our group that are going to appear before the Board that there be some fixed time and not be within some two-hour span because we too have to get back and we can plan our schedule the same way you do. We would request that we have a fixed time that we can be expected to make our presentation. Also we like to drink sodas and the NAACP is boycotting Dr. Pepper so I didn't get a chance to get a soft drink there.

I do want to also thank you, Chairman Rapoport, for appointing Regent Zan Holmes to that minority committee, and I hope that committee will be something more than a committee that is going to be collecting statistics. I was somewhat offended -- I don't know about the other members -- especially with the presentation made today to Dr. Amacher, and I was just wondering how could this Board present him with a plaque after booting him out and the fact that you gave him very little or no support. I mean to me it's just offensive that the Board would do something like that when you had the opportunity to support someone who is doing an excellent job and then you want to somehow recognize him as doing a good job. To me I guess it's just a little bit hollow.

I want to just emphasize to the Board your responsibility. You know your overall responsibility for the U. T. System, and I think you have a real serious burden of responsibility to assure that this school system is a school system that is without racism and that all children and all students in this System are going to be able to participate in the educational process without being discriminated against and without the existence of racism as much as that's possible. The University has commissioned a study that shows that racism is very alive at UTA, and I am concerned about the stability of UTA and about the retention especially of the few African-Americans that we have there, especially Dr. Taylor who is the provost and the other four or five African-American staff that are there. We want to make sure that these people stay in place. The Board cannot let the faculty/staff at UTA do the kinds of things that they have done or have been doing. I think that the staff which is primarily white males at UTA have forced the President to resign and have caused all kind of stress to the African-American provost. I think this Board of Regents cannot let this faculty senate and this faculty/staff determine who is going to be the president and who the staff people are going to be. It's just unbelievable that they could have this kind of influence and where is this going to stop. Are they going to continue to be able to make these kinds of decisions? I don't think it's their decision. So they required a vote of no confidence which is unheard of on the provost and I just wondered now what's going to happen with that vote, what the Chancellor's going to do with that and what does that mean.

So I'm asking the Board of Regents to be sure that fairness prevails, that you stand firm against racism, and demand that Dr. Taylor and the current African-American staff at UTA be retained. We want to be certain that the Board makes sure that the Chancellor and the so-called System will make decisions that are not discriminatory in their manner and in their intent. I know the Board is very busy and that the Chancellor and his people are making these decisions. So we want to make sure that the decisions that the Chancellor makes are decisions that the Board supports, and I'm not sure that's the case. So this commitment to deal with racism has to come from the top. It has to come from you, the Board of Regents, in making sure that the Chancellor understands that you're not going to tolerate the kinds of things that are happening at UTA. I cannot impress upon you how strongly we believe this issue needs to be addressed, very possibly by Regent Holmes making sure that nothing happens to Provost Taylor and the other four or five faculty/staff that are at UTA.

Thank you.

Comments of Ms. Faith Brooks

My name is Faith Brooks and I am a junior accounting major at The University of Texas at Arlington. Due to the controversy, I felt obligated to come personally to address you, the Board of Regents, with my concerns for the future I may have at The University of Texas as an African-American student.

The four problems I see that need to be addressed by the Board are:

1. Lack of African-American faculty at the University
2. Lack of the retention of the African-American faculty and administration at the University
3. The retaliation against the African-American students for exercising their constitutional rights
4. Lack of support for Dr. Dalmas Taylor as provost of the University.

As a student, it is very disheartening to walk into a classroom and not see anyone of my own personal background, African-American, and to further know that over 500 faculty and administrators are at the University and of that 500 only 7 are African-Americans with only one person tenured. This is a problem that needs to be addressed by the Board of Regents.

I have a solution. I challenge you, the Board of Regents, to see that Dr. Taylor stays on as provost as well as the other six African-Americans stay on and be tenured as well as heavy recruitment of additional African-American faculty and administration. If there is a problem with the money, I ask that you retire all the employees that have been at the University for 20 years or more and the affirmative action program reassigned to someone who can do a positive job and with these monies that you'll save from this retirement you can hire the quality African-Americans that would fill those positions.

When I first entered the University I felt that this was a place that I could go and learn and enjoy the multiculturalism of the University. This is not the case and it is very disheartening to me as a student to know that as African-American I may not have any future in the administration of the U. T. System if I don't see any African-American faculties. From paying my money to go to the University I feel that this is something that really does need to be addressed and I need to see more African-Americans so that I know that when I have my children they can come up behind me and fulfill these positions. The statistics show that in the year 2000 the only enrollment that is increasing across the nation is the African-American minority enrollment, specifically in Texas. I would like to see more minority administrators and faculty at the University. As a student in the classroom with these issues going on there have been controversies addressed in the classroom when we're supposed to be learning. I think the classroom should stay a setting where we learn about the activities of

the particular course that I have signed up for as opposed to learning about the issues that are on campus. I do not like being rushed in the four week span to learn a semesters worth of work and I think that the Board of Regents should address this issue at the University with those administrators. Thank you.

Comments of Mr. Darren Reagan

Thank you. Ya'll have spent a lot of money on me. But anyway, Bernard, I would like to make an official request that due to the time that this meeting has prolonged that we be allowed to officially come before the Board and really discuss what our concerns are at the next meeting in August. So that's my official request. I don't think that we should be rushed as we have traveled both to your office in Waco, we have gone to Austin, and we have really tried to touch base across the state and this is coming to Galveston and hear all the other presentations and then have us rushed that's not fair as we're talking about being fair and in our treatment and respect and response a receptiveness to the citizens of this state. I would like to just revisit, Zan if I could, my first meeting with you coming on board as a Regent that there was food out here, there was no security -- I mean literally no security -- and it's very, very disappointing and disgusting to walk into a public body like this, Bernard, and get off the elevators and come on campus and you see police everywhere. I mean you don't see this kind of activity around even with the President and these other guys but we see so many police everywhere and it creates a perception that the System is not user friendly. This body, in particular, the Regents' meeting to have these big guys with guns on their sides you know that we could really tone that down. The other thing, Zan, is that when we look at where we were when you came on board as the first African-American Regent and the progress that we've made or not made in a four year's time. Here we have the first African-American president, Dr. Jenifer, just last year and talking about creating the Minority Committee, a committee to address minority concerns. We have the first African-American provost and associate provost out at U. T. Arlington on the verge of being forced out and we understand what all of this is about and that's why I commend these pastors who set aside times from their churches, from their membership organizations and their duties to come here.

I heard the gentleman from San Antonio talking about the success of the public health division but at a time when buildings are being blown up all across this country, when we see the hate mongering, when we see the attack on affirmative actions across this country, I try to look for, Linnet (Deily), the good behind this. I think it's good in a sense that these issues have been raised because it's now raised the awareness of people who hadn't thought anything about it. Our sense of awareness for issues that are real close to us has been raised and within the African-American community not only in the DFW metropolitan area but across this state with this issue with Dalmas Taylor, the African-American faculty out there, and the student unrest I can say to you that if this Board does not take the type of affirmative action in retaining Dr. Taylor in his position that we're in for

a long hot summer. We're pleased to have this issue surface in terms of galvanizing support but we must ensure, Zan, that we hold on to the advances that we've made. An audit report that's slanted or tainted and that Dr. Taylor has not addressed should not be considered in terms of his dismissal, and I understand that you guys are thinking about letting him go some time in May and that's not fair. We're not gonna have that. Lee mentioned about racism on that campus and I think it is really ridiculous for us to stand here and argue that racism doesn't exist and we know it does. Bernard, you know it does. As a Russian Jew you know it does. And Ms. Temple, Ms. Deily, Ms. Smiley, you know it does in terms of being women. It's just a few years ago that ya'll came on board. So racism exists out there. We can look at when we see doctors in here and we see statisticians. Thomas Hicks is one of the richest guys in the country and you read about him all the time. You see where this gentleman looks at facts, documents, statistics, the vital signs before he makes an investment and he looks at the problem or a potential money making deal. So we've looked at the statistics of racism at U. T. Arlington. We see the documentation by third parties, a consultant review that's in front of you in that little folder and the complaints of discrimination. There was a news article that the Fort Worth Star Telegram did and it's well documented so once we look at the stats, the documentation we've looked at the vital signs and the symptoms, we know that we can pretty much get a handle on what the problem is or what's causing this patient to be sick. Racism exists and until we admit that it exists and begin to deal with it, Zan, your committee should be dealing with this from the Board's perspective. So I stand today to say that my zeal has been renewed and my commitment. I know of the monies this System spent on trying to keep us from peaceful protesting. We're gonna continue to raise the issues. We're gonna continue to raise our concerns and do what's legally right as American citizens. That's what we pledged allegiance to. So I challenge this Board to say no to racism on U. T. Arlington's campus and to increase African-American participation and other ethnic minorities on these campuses. A good signal would be to support Dalmas Taylor who is more than qualified to be the provost.

Thank you very much.

Comments of Mr. Allen McGill

Thank you, Chairman Rapoport. My name is Allen McGill and I am with the Black State Employees Association. It's rather dismaying to be here before you again discussing issues that involve race. What has been particularly dismaying over the course of discussions involving UTA has been to see the Chancellor, to see the interim President, to see Deans who have constantly and publicly attributed statements said that there is no problem with race on the campus of UTA. That has been particularly dismaying. It is an insult to this group who more than increased the number of African-Americans sitting in this room that I can associate with the System by at least five times. Now it is particularly insulting for African-Americans in this city and in the state of Texas to pick up and it's particularly insulting when there is no regard apparently at an academic institution for

evidence of these problems. That is insulting. You have before you over time studies that have been commissioned. You have stories reported in newspapers, magazines, and other media and to hear the leadership of U. T. System, to hear the leadership of UTA pronounce that everything's just fine out there, that is disappointing and insulting and we simply ask that that stop and that we see some leadership on the issue of race coming from this Board. It is going to be difficult. It's not going to be easy. I mean the speakers prior to me have come on and they have talked about the evolution of race and the involvement of African-Americans directly and the policy making teaching and faculties on these campuses and we are way behind here in Texas in race relations. This Board is a very important publicly funded institution. You should be taking the leadership in these issues not sitting back where it's comfortable. You should be providing the leadership we are expecting you to provide. So my request to this Board is that we don't insult our African-American community here in this state and in these cities and across this country by saying there are no issues involving race on these campuses and in particular on the campus of UTA. We say that there are some problems there involving race and that we are going to meet those problems head on. That we're going to sit down and talk to the leadership, the students, and constituents and try to get these problems worked out. That's my request to this Board. Thank you very much.

Comments of Reverend LeRoy Haynes

Chairman Rapoport, Chancellor Cunningham, distinguished members of The University of Texas Board of Regents, my name is Dr. LeRoy Haynes, President of the Tarrant Methodist Black Alliance. We are simply here today representing the moral power of black churches in Tarrant County with over 100,000 parishioners, taxpayers, and voters in the State of Texas.

Our gathering is called by the ugly head of institutional racism and white supremacy, voices being resurrected at The University of Texas at Arlington. This demonic face of racism has been manifested in the systematic attempt to turn back the progress on civil rights gains and affirmative action at The University of Texas at Arlington. It is specifically revealed in the conspired and systematic attempt to eliminate Provost Dalmas Taylor and to target the elimination of all the top African-American executives at The University of Texas at Arlington. Not only is it specifically revealed in the targeting of the top African-American executives but it has aggressively harassed, intimidated and attacked the African-American students who participated in a nonviolent demonstration in support of Provost Dalmas Taylor.

Let the historical record be very clear that the black church and its parishioners in Tarrant County have lived through the history of overt racism at the U. T. Arlington campus. Beginning with the first African-American enrolling in 1962, to the holding of slave auctions and the burning of black effigies on campus in 1968, to the confrontation and protest over Johnny Reb and the confederate flag in 1971, to the struggles for affirmative action in the 1980s. It is clearly documented beyond any doubt that the U. T. Arlington campus

has an historical pattern of racism and the precedence of racism and discrimination. Today the historical racism has taken the form of institutional racism and this pattern of institutional racism though subtle has been clearly documented by the only independent study commissioned by President Ryan Amacher and performed by Simons from February 10, 1993 to March 12, 1993, and to a lesser degree in the in-house study done in 1991. Now it is ironic that professors who are in academic study and even the interim president will speak out of emotion and speak out of opinion and say that there is not racism when empirical evidence shows otherwise. Dr. Simons states in his report that there is a pattern of systemic discrimination on the campus of The University of Texas at Arlington. This discrimination is both racial and gender and affect African-Americans and Hispanics. These institutional patterns of racism are clearly documented in the lack of diversity in the administration, faculty and student body. For example, of the 559 faculty members, only 7 are black and 10 Hispanic and out of the 7 black, one is tenured. Of the 162 employees of the executive and administrative management level, only 10 are black and only 4 are Hispanic. Blacks comprise only 7.6 percent of the population of the student body.

If the University of Texas Board of Regents and the U. T. Arlington administration are serious about diversity on a campus that is located in the second largest population of African-Americans in the State of Texas, they would first of all maintain the current executive managers who are African-Americans instead of trying to eliminate the few that presently exist. Practicality tells us that you deal from the foundation that already exists. Hence the Tarrant Black Ministerial Alliance in coalition with the other black ministry alliances call upon the Board of Regents and the Chancellor to maintain the minority academic administrators currently in place including the provost, associate provost of administration, and the dean and associate dean of the School of Social Work. We further call upon the Board of Regents and Chancellor to increase the number of academic and other executive managers in keeping with the goals that reflect the diversity of the multicultural population of Dallas/Fort Worth. Finally, we say that we are committed, as ministers of the gospel of Jesus Christ representing over 100,000 parishioners, that the clock not be turned back on civil rights and affirmative gains at U. T. Arlington. If it means that we have to lead our 100,000 parishioners from the church house to the U. T. campus and in waging a nonviolent strike then we will act in this manner with courage, faith and nobility to secure justice. Thank you very much.

Comments of Reverend Bill Smith

My name is Reverend Bill Smith. I'm a member and chairman of the courtesy committee of the Baptist Ministers Union in Fort Worth. I am chairman of the Civic Committee for the Intrad denominational Ministry Alliance in Fort Worth. I'm chairman of the Permanent Committee for Church Development, Primitive Baptist North Texas Minister.

Since our meeting with the faculty and staff and administrators of UTA and since a long ride here since 8:00 a.m. this morning, I was trying to figure out what I could say and I hope you can take my comments as constructive and forward thinking. You see, when you talk to the students on UTA's campus be they black, brown, white or whatever and you look into their eyes and you listen to their hopes and dreams you can't help but be moved that we should do everything we can for this generation, do everything we can to afford them the best educational opportunity possible.

But let me try to address the student perspective from a personal perspective if you will. I am a graduate of Arlington State College later called UTA. I attended Arlington State College from 1965 through 1970. I was the first president of the Black Student Union on UTA's campus, and we fought very hard to remove all of the vestiges of indifference and racism on campus that was embodied in the rebel flag. We fought hard to get all of our organizations recognized on campus. We did not harm anybody. We used peaceful means. We involved every resource we could on campus and in our community.

The last time I was at a Board of Regents' meeting, and you have to excuse me I am getting a little old, was around 1968 or 1969. It was on the top floor of the library of UTA, there was one elevator in use, there were undercover police and FBI everywhere and there were pickup trucks with guns everywhere. But that did not discourage us. We thought that there was some atmosphere or some outlook that our efforts were destructive that we would try to disrupt the meeting and the campus. Nothing could have been further from the truth. I hope you will understand that Arlington State College was 15 minutes from my house if I went down Route 303. My family could barely afford the tuition, the books and the fees. No one told me about financial aid, no counselor no anything, but my family wanted me to get a college education. So to UTA Arlington State College I went. I looked forward to going to college, to the freedom, because my father was a preacher, my grandfather on my mother's side was a preacher, my great grandfather on my father's side was a preacher and I was happy to be away from home and happy to be away from their eyes. I was looking forward to having fine times. I looked forward with great anticipation to the challenge of course work. I had some little worries but I figured if I studied hard I could make it. Through the grace of God and the teaching of my parents I did not see myself as inferior nor was I intimidated by anybody who was different from me whether it be color, size, anything. My size was six foot five and at that time I was 140 pounds soaking wet. I could barely afford the books and the fees yet I could not afford the racism and discrimination I encountered on that campus.

However, we worked hard as I said. There were no faculty and staff that were African-American. There were no department heads that were African-American. There were no administrators that were African-American. There were no African-Americans who were in authority or decision-making power anywhere on that campus. As a student, all I needed was a positive experience, a good learning atmosphere, modern equipment, comfortable facilities, capable and qualified instructors as well as instructors who were culturally intelligent. Among the academic advisors and the counselors, there was nobody there of my color or my understanding or sensitivity. Last thing I needed, with all due respect, was someone to tell me that some of their best friends were black or the universal question "What do you want to be called?". A student was fine. In spite of all the odds and difficulties I learned the value of a well rounded education. I was exposed to different ideas, peoples and ways of life. I began to learn and to grow. I have a thirst for learning. My horizons were expanding. My fellow students as I found out, except for a few of them with their own prejudices and discriminatory ideas, were the same as me. They were trying their best to get an education to better their lot in life. As I became to understand that, I came to value my experience at The University of Texas at Arlington. Now things have changed.

We have an African-American mayor in Dallas. We have city council people who are African-American. We have school board members who are African-American. Redistricting is not an elusive guess but is the law. In Fort Worth we have three African-American city council people and African-Americans on the school board. And in "Baby Arlington" as we used to call it we have African-Americans on the school board and the city council.

The population has changed in Arlington and in the metroplex. African-Americans, Asians, Hispanics, all kinds of folk working and living and moving in that area. This is amazing to me because the population has changed, things have changed, it is time for UTA to change. It is time for UTA to be a leader not afraid of change but leading and on top of change and being the most effective University in that area. UTA, by all accounts is the most cost effective college in the area. It is more inexpensive to go to UTA as compared to TCU, SMU, Texas Western and the other universities. But, we have to do something from this level to ensure every student who enrolls in UTA is afforded the best opportunity possible so therefore we make the following recommendation.

We recommend that the Vice President, Assistant to the President be employed to improve the quality of student life and to improve the relations with the African-American communities in the metroplex. We recommend that expansion programs be put into place. Programs to focus on the needs of the ethnic students at UTA. Moreover, that African-American councils and advisors be improved and increased. We recommend that there be concentrated efforts on the front end in admissions and recruitment at The University of Texas at Arlington. More administrative support for African-American faculty and staff. More African-American administrators. We recommend that an assessment be done, department by department, for participation and performance by all the students including ethnic students at UTA. We recommend that the University of Texas at Arlington be worked with for cultural

diversity training. We recommend that an outreach plan be put into place where the University of Texas at Arlington has educational and cultural programs and activities focusing on community relations to improve that campus' image and understanding of the communities around it. We recommend that the University have a community relations committee involving administrators, faculty and community leaders. We recommend that a study be initiated to look at other universities that find themselves in similar situations where that population is changing and the university should be a leader in that community.

Now let me say in closing that had I not attended Arlington State College which later became The University of Texas at Arlington my life would have been totally different. And I am very appreciative of the opportunity that I had at UTA. However, it is time for UTA to begin to change. It is time for it to grow and I see no recourse but to try and get this level to employ and to push and do whatever it has to bring U. T. Arlington forward to the 21st century. I thank you for your patience and your time.

Comments of Reverend Darrell Ingram

Chairman Rapoport, if I could just have about three minutes I could wrap it up and give you what we are succinctly trying to say today. I am Darrell Ingram, Pastor of Allen Chapel Amy Church in downtown Fort Worth.

One of the great managerial changes that is sweeping across America is that concept of TQM or total quality management. I am certain most of you are very familiar with that. And in TQM, as I understand it, the main goal is to meet and exceed the expectations of customers. We come to this Board today as colleagues and customers. We are colleagues in that this institution and this institutional system provide for world class education throughout the State of Texas and we want to ensure that that happens.

We believe that we share in the community responsibility for governance and guidance of the University system. The insights from the African-American communities are critical and essential to the well rounded development of a wholesome University of Texas System. We are customers in that it is us who matriculate, it is us who would like to be employed and remain employed in The University of Texas System. We believe that we share in the noble experiment of diversity in unity in America and in The University of Texas System in particular that can achieve and actualize racial harmony and wholeness in our community.

My colleagues have raised several issues, several clear warnings or dangerous signs. They've lifted up the warning signs of distress and unmet expectations of willing customers. So I think it's prudent to ask what do we want. Now let me list five things that we would like to see happen.

We employ the University of Texas Board of Regents to enact the following:

1. Call on Chancellor Cunningham to do again what he has already done. That is to call for peace at Arlington, that the hostilities shall cease by faculty and by the student run newspaper.
2. We call on the System to maintain African-Americans or in particular minority academic administrators who are currently in place to include but limited to the provost, the associate provost, the dean and associate deans of social work.
3. To discontinue the harassment of minority students by the Vice President of Student Affairs.
4. To aggressively and assertively and willfully engage in and support efforts toward the recruitment and retention of minority faculty and administrators.
5. Maybe as important as all of these, to improve the recruitment and retention and graduation rates of minority students at UTA.

We ask this question -- If this can't be done in the twelfth largest African-American community in America, where else can it be done? If it can't be done by such a great Board as this who else can do it? We trust that you are men and women equal to the challenge of this noble enterprise and I believe you can do it.

Chairman Rapoport stated "We are glad to hear your points of view and the reality is that you are really talking to the converted. We believe what you believe. Thank you very much, all of you. We really appreciate your being here."

3. U. T. Medical Branch - Galveston: Presentation by the Galveston Physicians Services Association Related to Expansion of Primary Care Practice Clinics.--Chairman Rapoport reported that the Galveston Physicians Services Association, which is represented by its President, Daniel H. Gold, M.D., had requested permission to appear before the Board related to the expansion of primary care practice clinics at The University of Texas Medical Branch at Galveston.

Chairman Rapoport then introduced Daniel H. Gold, M.D., who made the following remarks:

Remarks of Daniel H. Gold, M.D.

My name is Daniel Gold. I am a physician and President of the Galveston Physicians Services Association, an organization representing approximately 70 physicians in private practice here in Galveston and in neighboring communities. It is not easy for me to come before you to present information critical of an institution which has been my academic home for almost twenty years, 'and for which I have strong feelings of attachment and loyalty; however, the reality of what is occurring in our County and throughout the State has such significant implications and consequences that we as private practitioners cannot remain silent. I call your attention to the following:

1. The University of Texas Medical Branch has opened and continues to open medical offices throughout our communities. These clinics are not being located in Federally designated medically-underserved areas. Many of them are located in the more rapidly growing affluent areas of our communities. The Galveston County maps identifying medically underserved areas are included in our **material*before** you. The 1994 designated medically-underserved area of the Mainland is the community of Hitchcock. No UTMB clinic has been proposed for this area of lower-income population.

*Handout from the Galveston Physicians Services Association is on file in the Office of the Board of Regents.

2. These clinics are referred to as "Primary Care Clinics," although the physicians working in them and the care provided in them includes surgical and other specialties.
3. Millions and millions of dollars in public funds are being spent in buying, leasing, building out, staffing and equipping these offices. These millions of dollars are being taken **from** practice plan funds. Comptroller John Sharp, in his Texas Performance Review of July 1991, referred to these funds as the "largest source of unrestricted revenues which may be designated for use by the institutions..". He noted that "The revenues received by the plans are held in local bank accounts; they are independent of the appropriations process." They are, however, State funds for which each of you has a fiduciary responsibility.
4. We see little evidence that these clinics are being built for the purpose of teaching primary care to medical students or resident physicians. The Texas Performance Review cited above includes as Recommended Policy the statement that "Publicly funded medical schools should participate in solving the state's problems of physician maldistribution through redesign, not expansion, of their instructional programs." A review of one of the **UTMB** publication's statements before you in our material boldly states that these clinics are being built by the University with public funds "...to protect its patient base, income flow and overall economic viability". No mention whatsoever of any primary care physician teaching goal.

Our situation is rapidly reaching crisis proportions. Private physicians, hospitals, and other health care providers cannot compete with this massive effort by the State of Texas to gain control of the patient care in our communities. The people of this State will lose their choice in obtaining medical care because the private medical community will not survive. It

will not be able to continue providing medical care for Texans as it has done for generations.

These are times when citizens everywhere are asking government to take a hard look at its functions and its use of public money. In these conservative times, when government is downsizing at every level, is there any justification for the expenditure of millions of dollars of public funds so that the State of Texas can go out into our communities and compete with its own citizens? Should the State of Texas provide competing medical care services when these services are now readily available from private physicians who have invested their lives in their medical practices, practices now being destroyed by competition from State-owned and operated facilities?

Ladies and gentlemen, these activities cannot stand the light of day. Increasing public attention has been and will continue to be focused upon them at all levels of government. We urge you, The Board of Regents of the University of Texas System, to take immediate action to investigate this matter. Is the Board of Regents truly responsible for this recent change in our conservative philosophy of State Government? We have heard statements attributing this new, changed philosophy to policies of the Board of Regents. Please alter the course of the University and its policy before Texas is inundated with State-provided medical care for profit, or perhaps at a loss.

I do not believe the Board of Regents of the University of Texas System has ever in its history consciously embarked on a program which would destroy the private practice of medicine in communities of this State or to intentionally bring about the closure of local hospitals such as St. Mary's in Galveston through a State-funded health care delivery system.

Has the philosophy of the University so radically changed?

Thank you .

Following his presentation, Dr. Gold introduced Reza Jahadi, M.D., Vice President of the Galveston Physicians Services Association, who made the following comments:

Remarks of Reza Jahadi, M.D.

My name is Dr. Reza Jahadi. I am appearing before you today as a **representative** of the many private physicians whose lives are dedicated to health care delivery of the highest quality.

I want to welcome you to Galveston and thank you for giving me the opportunity to talk to you face to face. I can assure you that we physicians have no conflicts with our peers and colleagues at UTMB and are highly supportive of UT system teaching mission and its **commitment** to serve the underserved area.

My previous letters to members **of** the Board of Regents elicited replies indicating to me that my letters were not read, or perhaps misunderstood. Some of these letters are included in the material which we have distributed to you.

Chairman Rapoport assured me on Feb. 15th that my position will receive consideration. Consideration alone is little comfort in a crisis. **We** all hope that a change in philosophy will be considered and acted upon.

On Feb. **24th**, Mrs. Temple replied that we disagree on the importance of training more primary care physicians. I am truly puzzled. If we are to train more primary care physicians, is it necessary to eliminate all private physician competition using the State money while we attempt this worthy goal? If clinics off-campus were to be established all over our area, why have medically underserved-areas been avoided?

On **March 2**, **Dr. Mullins** responded to my letters addressed to **members** of the Board of Regents and stated that the Texas Legislature had "indicated in the past that the University must assume greater financial responsibility for its future." Also in public statements made by University officials we have heard that the Legislature

mandated the establishment of these clinics. No evidence of any stated or written "mandate" has ever been provided to us. It does not exist, and I refuse to believe that a conservative Legislature, a conservative Board of Regents and its conservative Governor choose to drive private physicians out of medical practice by establishing a philosophy demanding direct competition with the private sector, using State funds, State facilities and **State-**paid advertising aimed directly at full-pay patients.

A large part of the practice plan funds are derived from Medicaid payments to State-salaried doctors by private patients. Comptroller John Sharp, in 1991, suggested 20% of that accumulated fund (now **\$229,000,000.00** in the UT system) should be transferred to General Revenue. We understand a **\$29,000,000.00** surplus exists in the UTMB Fund alone. Could these funds be better used to help solve the State's financial problems, and cooperate with practitioners as well, in order to better serve the citizens of Texas?

Please read Lt. Governor Bullock's letter to me in which he explains that MSRDP funds could have been used as a guarantee for the revenue bonds which would have been issued to purchase Galveston County Memorial Hospital by UTMB. Surely your philosophy cannot be compatible with that which is evident in the recent series of financial activities in connection with private practice purchases and the establishment of clinics in affluent areas in Galveston County and surrounding Counties. Do you consider the **\$29,000,000.00** in MSRDP at **UTMB** Galveston "**an** institutional trust fund", as it has apparently been described to Lt. Governor Bullock? Are you satisfied with the oversight, if any, in these transactions?

I urge you to read my letters carefully and read the replies received as well. Some abuses of public funding seem obvious. The changes required seem even more obvious. The philosophy expressed in this correspondence to me cannot be Texas public policy as we know it.

Thank you,

Following Dr. Jahadi's presentation, Beverly Lewis, M.D., Representative of the Galveston Physicians Services Association and Member of the Texas Medical Association Town-Gown Review Committee, reported that Mr. A. R. "Babe" Schwartz, attorney at law, could not attend the meeting as originally scheduled due to a commitment in Austin, and Dr. Lewis then read and submitted for the record the following letter from Mr. Schwartz:

A. R. "BABE" SCHWARTZ
ATTORNEY AT LAW
POST OFFICE BOX 1398
GALVESTON, TEXAS 77552

May 11, 1995

TEL EPHONE
(409) 744-3531
(512) 474-6076

Chairman and Members of the Board of Regents
of the University of Texas System
Meeting in Galveston, Texas

Dear Chairman Rapoport:

I **am** unable to be present today because of my duties in Austin, but wanted to first thank you for permitting the Gulf Coast Private Physicians Group to appear and present their problems to the **Board** at your meeting in Galveston, where the crisis is greatest in the UT System,

I would ask the Board to *seriously* consider the circumstances existing in our area and **the dilemma** facing local physicians and St. Mary's Hospital.

In all of my twenty-five years in the legislature, and specifically the eleven **years** as a member of the Senate Finance **Committee** and every Conference **Committee** that wrote an Appropriations Bill, I never heard a suggestion that the University of Texas **Medical** Branch at Galveston should engage in the private practice of medicine aggressively through off-campus clinics, and purchases of medical practices to compete aggressively with private practitioners for profit.

During my fifteen years as a lobbyist, I am unaware of any suggestion by a legislative body, **committee**, or state official, that aggressive competitive policies utilizing state funds should **be** pursued for Profit under the guise of teaching primary care physicians.

Dr. **Mullins**, in his letter to Dr. Jahadi for the Regents, stated only that the "Legislature has indicated in the past" the need to develop additional local income.

Chairman Rapoport and Members of the Board of Regents
of the University of Texas System
May 11, 1995
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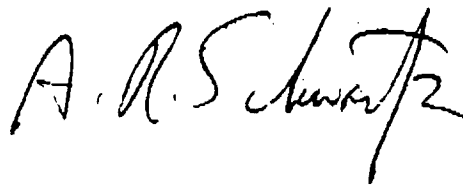
Comptroller John Sharp, in the 1991 Performance Review, includes as **recommended** policy that **publicly** funded medical schools should participate in solving the state's problems of physician maldistribution through redesign, not expansion, of their instructional programs." I hope the Board will endorse that policy and adopt a policy of strict oversight as well.

We have included a copy of **SCR124**, by Senator Zaffirinf, in your materials and it seems to present a beginning point for that oversight process. The proposed rider which is included represents my best effort to end the present policy of state-funded competition for profit which exists in our area and has begun in others. Certainly, medically under-served areas should take priority in clinic establishment expansion, and not the **elimination** of private practitioners already serving that area. This policy, for which the Board is blamed, cannot be based on past or present legislative urging or any **policy** of the Board of Regents known to me.

I urge you to take-back' the policy making function and institute a policy and **philosophy** consistent with health care delivery practices without the aggression and ill-will we see in our area.

Adopting John Sharp's 1991 **recommendations** would be a good start. Adopting the suggested rider as Board policy would attack the problem at its heart,. A version of Senator Zaffirini's Resolution might prepare the state for some of the major problems of health care delivery systems in the future.

Sincerely,

A handwritten signature in black ink, appearing to read "A. R. Schwartz". The signature is written in a cursive, somewhat stylized script.

A. R. Schwartz

SCHEDULED MEETING.--Chairman Rapoport announced that the next scheduled meeting of the U. T. Board of Regents would be held
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on August 10, 1995, at The University of Texas at San Antonio.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 4:10 p.m.

/s/ Arthur H. Dilly
Executive Secretary

May 23, 1995