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RESOLUTION

by the

BOARD OF REGENTS OF  
THE UNIVERSITY OF TEXAS SYSTEM

authorizing the issuance, sale and delivery of

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND REFUNDING BONDS,  
SERIES 2002A

and approving and authorizing instruments  
and procedures relating thereto

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February 15, 200 1

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**RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BONDS, SERIES 2002A AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO**

WHEREAS, Section 18 of Article VII, of the Constitution of the State of Texas, as amended, authorizes the Board (hereinafter defined) to issue bonds and notes not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund (hereinafter defined), exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (hereinafter defined) to secure the payment of the principal of and interest on those bonds and notes, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under such section or prior law, at or for the System (hereinafter defined) administration and component institutions of the System: and

WHEREAS, the Board heretofore has authorized, issued and delivered, pursuant to such Constitutional Provision (hereinafter defined), its Series 1991 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$11,545,000, its Series 1992A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$124,180,000, its Series 1992B Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$6,670,000, its Series 1996 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$238,765,000, and its Series 1997 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$122,050,000, and which, along with certain other outstanding obligations of the Board, are secured by a pledge of the Interest of the System (hereinafter defined) in the Available University Fund; and

WHEREAS, the Board has determined to authorize issuance of its refunding bonds in the maximum aggregate principal amount of \$115,000,000 for the purpose of refunding the Refunded Bonds (hereinafter defined), consisting of a portion of the outstanding Series 1992A Bonds, pursuant to the Constitutional Provision and the Acts (hereinafter defined) and other applicable laws; and

WHEREAS the refunding bonds hereinafter authorized shall not be issued unless they will produce at least a minimum amount of net present value savings expressed as a percentage of the principal amount of the Refunded Bonds;

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

## ARTICLE I

### DEFINITIONS, INTERPRETATION AND FINDINGS

Section 1 .01 Definitions. Unless expressly provided otherwise herein or unless the context shall indicate a contrary meaning or intent, the terms and expressions defined below, when used in this Resolution, shall have the meanings set forth below for all purposes of this Resolution, except the FORM OF BOND appearing in Section 2.06 hereof

“*Acts*” means, collectively, Chapters 1207 and 1371, Texas Government Code, and Section 65.46, Texas Education Code

“*Additional Parity Bonds and Notes*” means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 3.04 hereof or pursuant to Section 3.04 of the Series 1991 Resolution, Section 3.04 of the Series 1992A Resolution, Section 3.04 of the Series 1992B Resolution, Section 3.04 of the Series 1996 Resolution or Section 3.04 of the Series 1997 Resolution.

“*Attorney General*” means the Attorney General of the State

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

“*Authorized Representative*” means one or more of the following officers or employees of the System, to wit: the Chancellor, any Executive Vice Chancellor, the Vice Chancellor and General Counsel, the Assistant Vice Chancellor for Finance, and the Director of Finance, or in the event of a vacancy in any such position, the person duly authorized to act in such capacity pending the appointment of a successor to such position. or such other officer or employee of the System authorized by the Board to act as an “Authorized Representative.”

“*Available University Fund*” means the fund by that name specified in the Constitutional Provision, which fund consists of the distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to the Constitutional Provision.

“*Board of Regents*” or “*Board*” means the Board of Regents of the System

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

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

“*Code*” means the Internal Revenue Code of 1986, as amended

“*Comptroller*” means the Comptroller of Public Accounts of the State or any successor thereto.

“*Constitutional Provision*” means Section 18 of Article VII of the Constitution of the State, as amended and in effect on the date hereof, and any amendment thereto or any other amendment to the Constitution of the State relating to the Permanent University Fund hereafter approved by the voters of the State.

“*CUSIP*” means the Committee on Uniform Securities Identification Procedures of the American Bankers Association, or any successor to its functions.

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

“*DTC*” means The Depository Trust Company, New York, New York, and its successors and assigns.

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

“*Escrow Agreement*” means that certain Escrow Agreement, dated as of the date of issuance and delivery of the Bonds to the initial purchaser thereof between the Board and The Chase Manhattan Bank, as escrow agent, as authorized by Section 7.05 hereof, and as such agreement may be amended from time to time in accordance with the terms thereof.

“*Fiscal Year*” means the fiscal year of the State, which currently ends on August 31 of each calendar year.

“*Forward Delivery Contract*” means the agreement with the Underwriter providing for the sale of the Bonds authorized by Section 7.04 hereof.

“*Government Obligations*” means (i) direct noncallable 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; (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves any proceedings authorizing the issuance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; and (iii) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the Board adopts or approves any proceedings authorizing the issuance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

*“Initial Bonds”* means the Bonds authorized, issued, sold and initially delivered hereunder and upon which the registration certificate, manually executed by or on behalf of the Comptroller, has been placed.

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

*“Interest of the System,”* when used with reference to the Available University Fund, means the System’s two-thirds interest in the Available University Fund as apportioned and provided in the Constitutional Provision.

*“Outstanding Parity Bonds”* means the Series 1991 Bonds, the Series 1992A Bonds, the Series 1992B Bonds, the Series 1996 Bonds and the Series 1997 Bonds.

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

*“Permanent University Fund”* means the Permanent University Fund as created, established, implemented and administered pursuant to sections 10, 1 I, 1 la, 1 lb, 15 and 18 of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, Texas Education Code.

*“Principal and Interest Requirements”* means, with respect to any Fiscal Year, the amounts of principal of and interest on all PUF Bonds scheduled to be paid in such Fiscal Year from the Interest of the System in the Available University Fund. If the rate of interest to be borne by any PUF Bonds is not fixed, but is variable or adjustable by any formula, agreement or otherwise, and therefore cannot be calculated as actually being scheduled to be paid in a particular amount for any particular period, then for the purposes of the previous sentence such PUF Bonds shall be deemed to bear interest at all times to their maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in the resolutions authorizing such PUF Bonds.

*“PUF Bonds”* means the Bonds, the Outstanding Parity Bonds and all Additional Parity Bonds and Notes.

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

*“Refunded Bonds”* means the particular Series 1992A Bonds in the maximum aggregate principal amount of \$1 08,51 5,000 that the Authorized Representative, acting for and on behalf of the Board pursuant to Section 7.04 and 7.05 hereof, determines shall be refunded by the Bonds consistent with the net present value savings requirement of Section 7.04 hereof. The Refunded Bonds shall be specified in the Forward Delivery Contract.

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

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

“**Resolution**” means this resolution authorizing the Bonds, as the same may be amended from time to time in accordance with the terms hereof.

“**Rule 15c2-12**” means Rule 15c2-12 of the Securities and Exchange Commission, as amended from time to time.

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

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

“**Series 1992A Bonds**” means the Board’s Permanent University Fund Refunding Bonds, Series 1992A, issued under the Series 1992.4 Resolution in the original aggregate principal amount of \$196,015,000.

“**Series 1992A Resolution**” means the resolution adopted by the Board on February 13, 1992, authorizing the issuance of the Series 1992A Resolution, as such resolution may be amended from time to time.

“**Series 1992B Bonds**” means the Board’s Permanent University Fund Bonds, Series 1992B, issued under the Series 1992B Resolution in the original aggregate principal amount of \$80,000,000.

“**Series 1992B Resolution**” means the resolution adopted by the Board on February 13, 1992, authorizing the issuance of the Series 1992B Bonds, as such resolution may be amended from time to time.

“**Series 1996 Bonds**” means the Board’s Permanent University Fund Refunding Bonds, Series 1996, issued under the Series 1996 Resolution in the original aggregate principal amount of \$263,945,000.

“**Series 1996 Resolution**” means the resolution adopted by the Board on January 5, 1996, authorizing the issuance of the Series 1996 Bonds, as such resolution may be amended from time to time.

“**Series 1997 Bonds**” means the Board’s Permanent University Fund Bonds, Series 1997, issued under the Series 1997 Resolution in the original aggregate principal amount of \$130,000,000.

SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BOND, SERIES 2002A.” The Bonds shall be issuable only in fully registered form without coupons, The Bonds shall be lettered and numbered separately from I upward prefixed by the letter R. Each Bond shall be in an Authorized Denomination and shall be dated as of the first calendar day of the month in which the Forward Delivery Contract is executed by the parties thereto pursuant to Section 7.04 of this Resolution.

Section 2.03 **Interest Payment Dates and Interest Rates.** Interest on the Bonds shall be payable on the first January 1 or July 1 that is at least 60 days following the date of issuance and delivery of the Bonds to the initial purchaser thereof and continuing on each January 1 and July 1 thereafter until maturity. The Bonds shall bear interest at the fixed rate or rates of interest per annum, calculated on the basis of a 360-day year composed of twelve 30-day months, as set forth in the Forward Delivery Contract; provided that (i) the interest rate or rates for the Bonds must be in a multiple of 1/8 of 1% or 1/20 of 1%, with all of the Bonds of the same maturity bearing the same interest rate, (ii) the maximum interest rate per annum borne by any Bond must not exceed 15%, and (iii) the highest interest rate on any Bond must not exceed the lowest interest rate on the Bonds by more than 4.0%.

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

Section 2.04 **Redemption Provisions.** “The Bonds are not subject to redemption prior to maturity.

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

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

FORM OF BOND

NO. \_\_\_\_\_

PRINCIPAL AMOUNT  
\$

UNITED STATES OF AMERICA  
STATE OF TEXAS  
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND REFUNDING BOND,  
SERIES 2002A

INTEREST RATE    MATURITY DATE                      ISSUANCE DATE                      CUSIP NO.  
%                      \_\_\_\_\_                      \_\_\_\_\_, 20\_\_                      \_\_\_\_\_

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

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity at the designated office for payment of The Chase Manhattan Bank in Dallas, Texas, which initially 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, drawn by the Paying Agent on, and payable solely from, funds of the Board required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent for such purpose as hereinafter provided; 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 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Board which initially is the Registrar for the Bonds, as hereinafter described. 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. The Board 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, from the "Interest and Sinking Fund" maintained under the Bond Resolution, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due, Notwithstanding the foregoing, during any period in which ownership of the Bonds is determined by a book entry at a securities depository for the Bonds, payments made to the securities depository, or its nominee, shall be made in accordance with arrangements between the Board and the securities depository

IF THE 'DATE for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the designated office for payment 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 that is not a Saturday, Sunday, legal holiday, or day on which such banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

[THE FOLLOWING PARAGRAPH SHALL BE COMPLETED, REVISED OR DELETED TO THE EXTENT NECESSARY TO CONFORM TO THE PROVISIONS OF THE FORWARD DELIVERY CONTRACT.]

THIS BOND is one of an issue of Bonds issued in the original aggregate principal amount of \$ \_\_\_\_\_\*, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD'S PERMANENT UNIVERSITY FUND REFUNDING BONDS, SERIES 1992A, MATURING ON JULY 1, IN THE YEARS \_\_\_\_\_\*, IN THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_\*

THE BONDS OF THIS SERIES are not subject to redemption prior to maturity,

THIS BOND OR ANY PORTION HEREOF [N ANY INTEGRAL MULTIPLE OF \$5,000 principal amount may be assigned and shall be transferred only in the Registration Books of the Board kept by the 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 hereof in any integral multiple of \$5,000 principal amount to the assignee or assignees in whose name or names this Bond or any such portion hereof is to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds, The Board shall pay the Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The registered owner of this

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\* As set forth in Forward Delivery Contract.

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

THE REGISTRAR shall not be required to make any transfer of registration of this Bond, or any portion hereof, or any conversion and exchange hereof 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.

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 Board, resigns, or otherwise ceases to act as such, the Board has covenanted in the Bond Resolution that it promptly will appoint a competent and legally qualified substitute therefor, and promptly will cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, and the other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the two-thirds interest of The University of Texas System in the Available University Fund (consisting of distributions from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land) that is created and administered under the Texas Constitution, as described more fully in the Bond Resolution, all in accordance with the Constitutional Provision, and other applicable laws.

THE BOARD heretofore has issued its Permanent University Fund Refunding Bonds, Series 1991, its Permanent University Fund Refunding Bonds, Series 1992.4, its Permanent University Fund Bonds, Series 1992B, its Permanent University Fund Refunding Bonds, Series 1996 and its Permanent University Fund Bonds, Series 1997. All of the aforesaid bonds, which will be outstanding following issuance of the Bonds, also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond and other obligations of the Board on a parity therewith, and (ii) to make certain amendments to the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes that are secured by and payable from a first lien on and pledge of the aforesaid interest of The University of Texas System in the Available University Fund.

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

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

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

\_\_\_\_\_  
(facsimile signature)  
Counsel and Secretary, Board of  
Regents of The University of Texas System

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

(BOARD SEAL)

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

ASSIGNMENT

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

\_\_\_\_\_  
\_\_\_\_\_

(Assignee's Social  
Security or Taxpayer  
Identification Number)

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

\_\_\_\_\_ and hereby irrevocably constitutes and appoints

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

Date: \_\_\_\_\_

Signature Guaranteed:

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

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

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

**Section 2.07 Execution of Bonds.** The Bonds shall be executed on behalf of the Board by the Chairman and the Counsel and Secretary of the Board, by their manual or facsimile signatures, and the official seal of the Board shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by said officers of the Board, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the Board had been manually impressed upon each of the Bonds. In the event that any officer of the Board whose manual or facsimile

signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds or before the delivery of such Bonds, such manual or facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in such office.

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

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

Section **2.09 Registration, Transfer, Exchange and Replacement of Bonds.** (a) The Board shall keep or cause to be kept at the designated transfer office of the Registrar books or records of the registration and transfer of the Bonds, and the Board hereby appoints the Registrar as agent to keep such Registration Books and make such transfers and registrations under such reasonable regulations as the Board and Registrar may prescribe. The Registrar shall make such transfers and registrations as provided herein.

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

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

Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Registrar for transfer of registration and

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

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

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

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

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

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

(d) The Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the Board or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof. For purposes of Subchapter D of Chapter 1201, Texas Government Code, as amended, this Section of this Resolution shall constitute authority for the issuance of any substitute, exchange or replacement Bond hereunder without necessity of further action by the Board or any other body or person, and the duty of the replacement of such Bonds is hereby authorized and imposed upon the Registrar, and the Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect provided in this Resolution. Upon the execution of the Registrar's authentication certificate appearing on any converted and exchanged or replaced Bond, the converted and exchanged or replaced Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the initial Bonds originally issued pursuant to this Resolution, approved by the Attorney General.

(e) Notwithstanding the foregoing, the Registrar shall not be required to make any transfer of registration of any Bond (or portion thereof), or any conversion or exchange of any Bond (or portion thereof) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

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

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the Board, the Paying Agent and the Registrar shall have no responsibility or obligation to any DTC Participant or to any person on whose behalf a DTC Participant holds an interest in the Bonds.

Without limiting the immediately preceding sentence, the Board, 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 registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books. of any amount with respect to principal of or premium, if any, or interest on the Bonds.

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

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

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

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

Section 2.12 **Temporary Bonds.** Pending the preparation of definitive Bonds, the Board may execute and, upon the Board's request, the Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any Authorized Denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered with provision for registration and with such appropriate insertions, omissions, substitutions and other variations as the authorized officers of

the Board executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

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

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

Section **2.14 Paying Agent and Registrar.** The Board shall act as the initial Registrar for the Bonds and shall perform such duties as are required by the Registrar hereunder. Pursuant to Chapter 1201, Texas Government Code, as amended, and particularly Subchapter D thereof; the duty of conversion and exchange or replacement of Bonds as set forth in Section 2.09 hereof hereby is imposed upon the Registrar. The Board hereby appoints the Texas Treasury Safekeeping Trust Company to act as the initial Paying Agent for paying the principal of and interest on the Bonds. The Paying Agent shall keep proper records of all payments made by the Board and the Paying Agent with respect to the Bonds as provided in this Resolution. The Board hereby covenants with the registered owners of the Bonds that it will pay the fees and charges, if any, of the Paying Agent for its services with respect to the payment of the principal of, premium, if any, and interest on the Bonds, when due.

Section **2.15 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 Resolution, and that the Paying Agent and Registrar will be one entity; provided, however, that during any period in which DTC is serving as securities depository for all of the outstanding Bonds, the Texas Treasury Safekeeping Trust Company may be the Paying Agent and the Board may be the Registrar. The Board reserves the right to, and may, at its option, change the Paying Agent or the Registrar upon not less than 120 days written notice to the Paying Agent or the Registrar, as appropriate, 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 it will promptly appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent and Registrar under this Resolution. Upon any change in the Registrar, the previous

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 Registrar designated and appointed by the Board. Upon any change in the Paying Agent or the Registrar, the Board promptly will cause a written notice thereof to be sent by the new Paying Agent or Registrar, as appropriate, 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, as appropriate. By accepting the position and performing as such, each Paying Agent and Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent and Registrar.

Section 2.16 **Initial Bonds: Approval by Attorney General: Registration by Comptroller.** There shall be one Initial Bond for each maturity, numbered consecutively in the order of their maturity. Each Initial Bond shall be registered in the name, or at the direction, of Lehman Brothers as Underwriter. The Initial Bonds shall be submitted to the Attorney General for approval and shall be registered by the Comptroller.

### ARTICLE III

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

Section 3.01 **Security and Pledge.** Pursuant to the provisions of the Constitutional Provision, all the Bonds, and any Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured, together with the Outstanding Parity Bonds, by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund.

Section 3.02 **Payment of Bonds and Additional Parity Bonds and Notes.** (a) The Comptroller previously has established and shall maintain in the State Treasury a fund to be known as “Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund.” The Board and the officers of the System shall cause the Comptroller, in addition to taking the actions required by the Series 1991 Resolution to pay the Series 1991 Bonds, by the Series 1992.4 Resolution to pay the Series 1992A Bonds, by the Series 1992B Resolution to pay the Series 1992B Bonds, by the Series 1996 Resolution to pay the Series 1996 Bonds and by the Series 1997 Resolution to pay the Series 1997 Bonds, (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of the System in the Available University Fund), on or before each date upon which principal of, premium, if any, or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent on or before each such date, the amounts of interest or principal, premium and interest which will come due on the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent on or before each such date,

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution or the Series 1991 Resolution or the Series 1992A Resolution or the Series 3992B Resolution or the Series 1996 Resolution or the Series 1997 Resolution, substantially the same procedures as provided above shall be followed in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment (paying agents) and paying agents and registrars and dates and methods of payment and other procedures not in conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 3.03 **Disposition of Funds.** After provision has been made for the payment of the principal of and interest on the PUF Bonds, the balance of the Interest of the System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by regulations of the Board to be used by the Board as it lawfully may direct.

Section 3.04 **Additional Parity Bonds and Notes.** The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver additional bonds and notes on a parity with the Bonds and the Outstanding Parity Bonds in as many separate installments or series as deemed advisable by the Board, but only for the purposes and to the extent provided in the Constitutional Provision, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of the System in the Available University Fund, in the same manner and to the same extent as are the Outstanding Parity Bonds and the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity with each other and with the Bonds and the Outstanding Parity Bonds. It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Authorized Representative, or some other officer of the System designated by the Board, executes:

(a) a certificate to the effect that for the Fiscal Year immediately preceding the date of said certificate the amount of the Interest of the System in the Available University Fund was at least 1-1/2 times the average annual Principal and Interest Requirements of the installment or series of Additional Parity Bonds or Notes then proposed to be issued and all then outstanding PUF Bonds that will be outstanding after the issuance and delivery of said proposed installment or series; and

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

For purposes of calculating the Principal and Interest Requirements under this Section with respect to any obligations of the Board bearing interest at interest rates that are variable or adjustable, the “maximum rate then permitted by law,” for purposes of the definition of “Principal and Interest Requirements” set forth in Section 1 .01 hereof, shall be deemed to be the maximum “net effective interest rate” permitted under Chapter 1204, Texas Government Code, as amended, or such other maximum interest rate permitted to be borne by such obligations by then-applicable law. In addition, for purposes of this Resolution, including but not limited to Subsection 3.04(b) above, any obligation of the Board that is payable from amounts appropriated, pursuant to the Constitutional Provision, including any amendment hereafter made to said Constitutional Provision, for the support and maintenance of The University of Texas at Austin or System administration does not and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund.

## ARTICLE IV

### REMEDIES

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

## ARTICLE V

### GENERAL COVENANTS OF THE BOARD

Section **5.01 General Covenants of the Board.** The Board covenants and agrees, in addition to the other covenants of the Board hereunder, as follows:

- (a) That while any PUF Bonds are outstanding and unpaid the Board will maintain and invest and keep invested the Permanent University Fund in accordance with the standards established by Section 1 lb of Article VII of the State Constitution,
- (b) That the Board will restrict expenditures for administering the Permanent University Fund to a minimum consistent with prudent business judgment;
- (c) That the Board duly and punctually will pay or cause to be paid the principal of every PUP Bond, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all PUF Bonds, when issued, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it faithfully will do and perform and at all times will observe fully all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations; and

(d) That, except for the PUF Bonds, and the interest thereon, the Board will not at any time create or allow to accrue or exist any lien or charge upon the Permanent University Fund or the Interest of the System in the Available University Fund, unless such lien or charge is made junior and subordinate in all respects to the liens, pledges, and covenants in connection with the PUF Bonds, but the right to issue junior and subordinate lien obligations payable from the Interest of the System in the Available University Fund is specifically reserved by the Board; and, that the lien created by this Resolution will not be impaired in any manner as a result of any action or non-action on the part of the Board or officers of the System, and the Board will, subject to the provisions hereof, continuously administer the Permanent University Fund and each and every part thereof in accordance with the Constitutional Provision.

## ARTICLE VI

### PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

Section 6.01 **General Tax Covenant.** The Board intends that the interest on the Bonds shall be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the “Code”), and the applicable Income Tax Regulations (the “Regulations”). The Board covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes. In particular, the Board covenants and agrees to comply with each requirement of this Article VI; provided, however, that the Board shall not be required to comply with any particular requirement of this Article VI if the Board has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds or if the Board has received a Counsel’s Opinion to the effect that compliance with some other requirement set forth in this Article VI will satisfy the applicable requirements of the Code and the Regulations. In which case compliance with such other requirement specified in such Counsel’s Opinion shall constitute compliance with the corresponding requirement specified in this Article VI. The covenants of the Board set forth in this Article VI are intended to apply only to Bonds when, as and if issued.

Section 6.02 **No Private Use or Payment and No Private Loan Financing.** The Board covenants and agrees that it will make such use of the proceeds of the Refunded Bonds and the Bonds including interest or other investment income derived from such proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the Bonds will not be “private activity bonds” within the meaning of Section 141 of the Code and the Regulations promulgated thereunder. Moreover, the Board shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, that the proceeds of the Refunded Bonds have not been used, and that the proceeds of the Bonds will not be used, in a manner that would cause the Bonds to be “private activity bonds” within the meaning of section 141 of the Code and the Regulations promulgated thereunder.

Section **6.03** **No Federal Guarantee.** The Board covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code and the applicable Regulations thereunder. except as permitted by section 149(b)(3) of the Code and such Regulations.

Section 6.04 **No Hedge Bonds.** The Board covenants and agrees that it has not taken and will not take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would **cause** the Bonds to be “hedge bonds” within the meaning of section 149(g) of the Code and the applicable Regulations thereunder.

Section 6.05 **No Arbitrage.** The Board covenants and agrees that it will make such use of the proceeds of the Bonds including interest or other investment income derived from Bond proceeds, regulate investments of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder. Moreover, the Board shall certify through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the Board will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of section 148(a) of the Code and the applicable Regulations promulgated thereunder.

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

Section 6.07 **Information Reporting.** The Board covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar

month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the applicable Regulations promulgated thereunder.

Section 6.08 **Continuing Obligation**. Notwithstanding any other provision of this Resolution, the Board's obligations under the covenants and provisions of this Article VI shall survive the defeasance and discharge of the Bonds.

## ARTICLE VII

### 'MISCELLANEOUS PROVISIONS

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

Section 7.02 **Defeasance of Bonds**. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof either (i) shall have been made or caused to be made in accordance with the terms thereof, 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 payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent and the Registrar for the payment of their services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Interest of the System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 3.04 hereof or any other purpose.

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

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

Section 7.03 **Amendment of Resolution.** (a) The owners of PUF Bonds aggregating 5 1% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

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

(b) Notwithstanding the provisions of Subsection (a) of this Section and subject to the requirements of the resolutions authorizing the outstanding PUP Bonds, this Resolution and the rights and obligations of the Board and of the owners of the Bonds may, to the extent permitted by law, be modified or amended at any time by a supplemental resolution, without notice to or the consent of any owners of the Bonds, to cure any ambiguity, or to cure or correct any defective provision contained in this Resolution, upon receipt by the Board of an approving opinion of a nationally recognized bond counsel that the same is needed for such purpose and will more clearly express the intent of the Resolution.

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

(d) 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 a proposed amendment under Subsection (a) of this Section, the Board shall receive an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of all PUF Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid. the Board may adopt the amendatory resolution in substantially the same form

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

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

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

Section 7.04 **Issuance and Sale of Bonds.** (a) The Authorized Representative is hereby authorized to act for and on behalf of the Board in connection with the issuance and sale of the Bonds. In that capacity, the Authorized Representative, acting for and on behalf of the Board, shall determine the date for issuance and sale of the Bonds, the amount of Bonds to be issued and sold and the particular Series 1992A Bonds to be refunded by the Bonds. The Authorized Representative, acting for and on behalf of the Board, is also hereby authorized to approve, execute and deliver the Forward Delivery Contract with the Underwriter and therein to set forth the price at which the Bonds shall be sold, the principal amortization schedule for the Bonds, the redemption features of the Bonds, the date of the Bonds, the rate or rates of interest to be borne by the Bonds, the Refunded Bonds to be refunded by the Bonds, and other matters relating to the issuance, sale and delivery of the Bonds and the refunding of the Refunded Bonds; provided, that, the Forward Delivery Contract must provide for the Bonds to be sold on terms that produce (i) interest rate or rates that comply with Section 2.03 of this Resolution, (ii) a present value savings of not less than an amount equal to 0.03 times the principal amount of the Refunded Bonds, when the scheduled debt service payable on the Bonds during each Bond Year is subtracted from the scheduled debt service payable on the Refunded Bonds during the same Bond Year and the remainder is discounted to the date of the Forward Delivery Contract at a discount factor equal to the yield on the Bonds determined in accordance with section 148 of the

Code, and (iii) a sales price for the Bonds at not less than 95 percent of the par amount thereof (plus accrued interest from the date of the Bonds to the date of delivery thereof against payment therefor). The Forward Delivery Contract shall be in substantially the form and substance submitted to the Board at the meeting at which this Resolution is adopted, with such changes as are acceptable to the Authorized Representative approving the Forward Delivery Contract, including those covered by this Section 7.04. The Authorized Representative's approval of the Forward Delivery Contract shall be conclusively evidenced by his execution thereof. Lehman Brothers is hereby designated as the Underwriter. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds shall not be delivered unless prior to delivery, the Bonds have been rated by a nationally recognized rating agency for municipal securities in one of the four highest rating categories for long-term obligations, as required by Chapter 1371 of the Texas Government Code.

(b) Prior to execution of the Forward Delivery Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause a preliminary official statement to be prepared for distribution by the Underwriter to prospective purchasers of the Bonds. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to approve the form of the preliminary official statement and to deem the preliminary official statement to be final as of its date, except for such omissions as are permitted by Rule 15c2-12. Within seven business days after the execution of the Forward Delivery Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause a final official statement to be provided to the Underwriters in compliance with Rule 15c2-12.

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

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

(2) a certificate to the effect that the total principal amount of (a) all PUF Bonds and (b) all other obligations of the Board that are secured by and payable from a lien on and pledge of the Interest of the System in the Available University Fund that will be outstanding after the issuance and delivery of the Bonds will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the Bonds are issued; provided that any obligation of the Board that is payable from amounts appropriated, pursuant to the Constitutional Provision, including any amendment hereafter made to said Constitutional Provision, for the support and maintenance of The University of Texas at Austin or System administration does not

and shall not constitute an obligation secured by and payable from a lien on and pledge of the Interest of the System in the Available University **Fund**;

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

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

**Section 7.05 Refunding of Refunded Bonds: Escrow Agreement.** (a) As provided in Section 7.04 above, the Authorized Representative shall determine the particular Series 1992A Bonds to be refunded by the Bonds, subject to the minimum net present value savings requirement of said Section 7.04;

(b) Subject to the execution of the Forward Delivery Contract and the determination by the Authorized Representative of the Refunded Bonds to be refunded by the Bonds, the Board irrevocably calls the particular Series 1992A Bonds constituting Refunded Bonds for redemption prior to maturity on July 1, 2002, at a redemption price of par (plus accrued interest to the date fixed for redemption).

Upon execution of the Forward Delivery Contract, the Authorized Representative, acting for and on behalf of the Board, shall provide for notice of such redemption to be given in accordance with the Series 1992A Resolution, as appropriate,

(c) Concurrently with the delivery of the Bonds the Authorized Representative shall cause to be deposited from the proceeds from the sale of the Bonds, together with the other legally available funds as provided in Section 7.08, with the Escrow Agent, in an amount sufficient to provide for the refunding of the Refunded Bonds in accordance with Chapter 1207, Texas Government Code. The discharge and defeasance of the Refunded Bonds shall be effected pursuant to the terms and provisions of the Escrow Agreement presented to the Board and the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to approve, execute and deliver for and on behalf of the Board the Escrow Agreement to reflect the appointment, responsibilities and compensation of the Escrow Agent, such approval to be conclusively, evidenced by the Authorized Representative's execution thereof.

(d) To assure the purchase of the "Escrowed Securities" referred to in the Escrow Agreement, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase "Government Obligations," as defined in the Series 1992A Resolution, in such amounts and maturities and bearing interest at such rates as may be provided for in the Escrow Agreement, and to execute any and all subscriptions, purchase agreements, commitments, letters of authorization and other documents necessary to effectuate the foregoing, and is authorized to create and fund the "Escrow Fund" contemplated by the Escrow Agreement through the use of the proceeds of the Bonds, the moneys and investments held in the fund securing the Refunded Bonds, and other lawfully available moneys of the Board.

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

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

**Section 7.06 Application of Bond Proceeds.** Proceeds from the sale of the Bonds shall, promptly upon receipt thereof, be applied by the Authorized Representative as follows:

(i) the proceeds from the sale of the Bonds shall, to the extent required, be applied in accordance with the Escrow Agreement to establish an escrow fund in an amount, together with investment earnings thereon, sufficient to accomplish the discharge and final payment of the Refunded Bonds and, to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds, the establishment of such escrow fund and the refunding of the Refunded Bonds; and

(ii) any proceeds of the Bonds remaining after making all such deposits and payments shall be deposited into the Interest and Sinking Fund.

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

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

**Section 7.08 Appropriation of Funds.** The Authorized Representative is further authorized and directed to apply and there is hereby appropriated such moneys of the Board as are necessary (i) to pay the costs of issuance of the Bonds incurred in connection with the issuance of the Bonds and the refunding of the Refunded Bonds, to the extent not paid from Bond proceeds; and (ii) to make the deposits described in Sections 7.05 and 7.06 in amounts sufficient, together with the proceeds of the Bonds, to provide for the defeasance of the Refunded Bonds on the date of delivery of the Bonds.

**Section 7.09 Continuing Disclosure Undertaking.** (a) Annual Reports. The Board shall provide annually to each NRMSIR and any SID, within six months after the end of each Fiscal Year ending after the sale of the Bonds pursuant to Section 7.04 of this Resolution,

financial information and operating data with respect to the Permanent University Fund and the Interest of the System in the Available University Fund of the general type included in the final Official Statement authorized by Section 7.04 of this Resolution, being the information described in Exhibit A hereto. Any financial statements with respect to the Permanent University Fund so to be provided shall be (1) prepared in accordance with the accounting principles described in Exhibit A hereto and (2) audited, if the Board commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements with respect to the Permanent University Fund are not so provided within the required period, then the Board shall provide unaudited financial statements with respect to the Permanent University Fund for the applicable Fiscal Year to each NRMSIR and any SID, and shall file audited financial statements with respect to the Permanent University Fund when and if audited financial statements become available. If audited financial statements are not prepared with respect to the Permanent University Fund for any Fiscal Year and audited financial statements are prepared with respect to the State for such Fiscal Year, the Board shall provide, or cause to be provided, the audited financial statements of the State for the applicable Fiscal Year to each NRMSIR and any SID within six months after the end of said Fiscal Year or as soon thereafter as such audited financial statements become available from the State Auditor. Any such audited financial statements of the State so provided shall be prepared in accordance with generally accepted accounting principles for state governments, as such principles may be changed from time to time to comply with state law.

If the Board changes the Fiscal Year, it will notify each NRMSIR and any SID of the change (and of the date of the new Fiscal Year end) prior to the next date by which the Board otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Subsection may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document, if it is available from the MSRB) that theretofore has been provided to each NRMSIR and any SID or filed with the SEC.

(b) Material Event Notices. The Board shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- A. Principal and interest payment delinquencies;
- B. Non-payment related defaults;
- C. Unscheduled draws on debt service reserves reflecting financial difficulties;
- D. Unscheduled draws on credit enhancements reflecting financial difficulties;
- E. Substitution of credit or liquidity providers, or their failure to perform;
- F. Adverse tax opinions or events affecting the tax-exempt status of the Bonds;

- G. Modifications to rights of holders of the Bonds;
- H. Bond calls;
- I. Defeasances;
- J. Release, substitution, or sale of property securing repayment of the Bonds; and
- K. Rating changes

The Board shall notify any SID and either each NRMSIR or the MSRB, in a timely manner, of any failure by the Board to provide financial information or operating data in accordance with Subsection 7.09(a) above by the time required.

(c) Limitations, Disclaimers, and Amendments. The Board shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the Permanent University Fund or the Interest of the System in the Available University Fund remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12, except that the Board in any event will give the notice otherwise required under this Resolution of any Bond calls and defeasance that cause the Permanent University Fund or the Interest of the System in the Available University Fund to be no longer “obligated persons.”

The provisions of this Section 7.09 are for the sole benefit of the holders and beneficial owners of the Bonds, and nothing in this Section, expressed or implied, shall give any benefit or any legal or equitable right, remedy or claim hereunder to any other person. The Board undertakes to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide pursuant to this Section and does not hereby undertake to provide any other information that may be relevant or material to a complete presentation of the financial results, condition, or prospects of the Permanent University Fund or the Interest of the System in the Available University Fund or hereby undertake to update any information provided in accordance with this Section or otherwise, except as expressly provided herein. The Board does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell Bonds at any future date.

UNDER NO CIRCUMSTANCES SHALL THE BOARD BE LIABLE TO THE HOLDER OR BENEFICIAL OWNER OF ANY BOND OR ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE BOARD, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THIS ARTICLE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH SHALL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the Board in observing or performing its obligations under this Section shall constitute a breach of or default under this Resolution for purposes of any other provision of this Resolution.

Nothing in this Section is intended or shall act to disclaim, waive or otherwise limit the duties of the Board under federal and state securities laws.

The provisions of this Section may be amended by the Board from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Board or the Permanent University Fund, but only if (1) the provisions of this subsection, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (A) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (B) a person that is unaffiliated with the Board and the Permanent University Fund (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the Board so amends the provisions of this Section, it shall include with any amendment financial information or operating data next provided in accordance with Subsection (a) of this Section an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided. The Board may also amend or repeal the provisions of this continuing disclosure requirement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

(d) Definitions. As used in this Section 7.09, the following terms have the meanings ascribed to such terms below:

“MSRB” means the Municipal Securities Rulemaking Board

“NRMSIR” means each person whom the SEC or its staff has determined to be a nationally recognized municipal securities information repository within the meaning of the rule from time to time.

“SEC” means the United States Securities and Exchange Commission

“SID” means any person designated by the State or an authorized department, officer, or agency thereof as, and determined by the SEC or its staff to be, a state information depository within the meaning of Rule 15c2- 12 from time to time.

Section 7.10 **Further Procedures.** The Chairman of the Board, the Counsel and Secretary of the Board, the Authorized Representative, the Vice Chancellor and General Counsel of the System, and all other officers, employees, and agents of the Board, and each of them, shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the terms and provisions

of this Resolution, the Bonds, the preliminary official statement and the official statement for the Bonds, the Escrow Agreement, the Forward Delivery Contract and the DTC Letter of Representation. In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

[Execution page follows]

ADOPTED AND APPROVED this the 15th day of February, 2001

/s/ \_\_\_\_\_  
Chairman  
Board of Regents of  
The University of Texas System

Attest:

/s/Francis A. Frederick  
Counsel and Secretary  
Board of Regents of  
The University of Texas System  
[SEAL]

CONTINUING DISCLOSURE ■  
DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

Pursuant to Subsection 7.09(a), the information to be updated in the Board's annual filing includes all quantitative financial information and operating data with respect to the Permanent University Fund or the Interest of the System in the Available University Fund of the general type included in the Official Statement under the heading "Interest of the System in the Available University Fund" and in Appendices A, B and C. The updated information will include annual financial statements with respect to the Permanent University Fund provided on an accrual basis, or such other basis as the Board may be required to employ from time to time pursuant to state law or regulation.