
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 BONDS,
SERIES 2004

and approving and authorizing instruments
and procedures relating thereto

_____, 2004

TABLE OF CONTENTS

ARTICLE I DEFINITIONS, INTERPRETATION AND FINDINGS

SECTION 1.01 DEFINITIONS 5
SECTION 1.02 RECITALS, TABLE OF CONTENTS, TITLES AND HEADINGS 9
SECTION 1.03 INTERPRETATION 9

ARTICLE II AUTHORIZATION AND TERMS OF THE BONDS

SECTION 2.01 AUTHORIZATION AND AUTHORIZED AMOUNT 10
SECTION 2.02 DESIGNATION, FORM, NUMBERS, DATE AND DENOMINATION OF THE
BONDS 10
SECTION 2.03 INTEREST PAYMENT DATES AND INTEREST RATES 10
SECTION 2.04 MATURITY; REDEMPTION PRIOR TO MATURITY 11
SECTION 2.05 MEDIUM AND PLACE OF PAYMENT 12
SECTION 2.06 FORM OF BOND 12
SECTION 2.07 EXECUTION OF BONDS 19
SECTION 2.08 AUTHENTICATION OF BONDS 20
SECTION 2.09 REGISTRATION, TRANSFER, EXCHANGE AND REPLACEMENT OF BONDS 20
SECTION 2.10 BOOK-ENTRY ONLY SYSTEM 23
SECTION 2.11 CANCELLATION 24
SECTION 2.12 TEMPORARY BONDS 24
SECTION 2.13 OWNERSHIP OF BONDS 24
SECTION 2.14 PAYING AGENT AND REGISTRAR 25
SECTION 2.15 SUBSTITUTE PAYING AGENT AND REGISTRAR 25
SECTION 2.16 INITIAL BONDS; APPROVAL BY ATTORNEY GENERAL; REGISTRATION BY
COMPTROLLER 25

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

SECTION 3.01 SECURITY AND PLEDGE 26
SECTION 3.02 PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES 26
SECTION 3.03 DISPOSITION OF FUNDS 27
SECTION 3.04 ADDITIONAL PARITY BONDS AND NOTES 27

ARTICLE IV REMEDIES

SECTION 4.01 REMEDIES 28

ARTICLE V GENERAL COVENANTS OF THE BOARD

SECTION 5.01 GENERAL COVENANTS OF THE BOARD 28

ARTICLE VI PROVISIONS CONCERNING FEDERAL INCOME TAX EXCLUSION

SECTION 6.01 GENERAL TAX COVENANT 29
SECTION 6.02 NO PRIVATE USE OR PAYMENT AND NO PRIVATE LOAN FINANCING 29
SECTION 6.03 NO FEDERAL GUARANTEE 29
SECTION 6.04 NO HEDGE BONDS 30
SECTION 6.05 NO ARBITRAGE 30

SECTION 6.06	ARBITRAGE REBATE	30
SECTION 6.07	INFORMATION REPORTING	31
SECTION 6.08	CONTINUING OBLIGATION	31

ARTICLE VII MISCELLANEOUS PROVISIONS

SECTION 7.01	INDIVIDUALS NOT LIABLE	31
SECTION 7.02	DEFEASANCE OF BONDS	31
SECTION 7.03	AMENDMENT OF RESOLUTION	32
SECTION 7.04	ISSUANCE AND SALE OF BONDS	33
SECTION 7.05	REFUNDING OF REFUNDED BONDS AND REFUNDED NOTES; ESCROW AGREEMENT(S)	35
SECTION 7.06	APPLICATION OF BOND PROCEEDS	37
SECTION 7.07	DTC LETTER OF REPRESENTATION.....	38
SECTION 7.08	APPROPRIATION OF FUNDS	38
SECTION 7.09	CONTINUING DISCLOSURE UNDERTAKING.....	38
SECTION 7.10	FURTHER PROCEDURES.....	41
SECTION 7.11	REPEAL OF CONFLICTING RESOLUTIONS.....	41

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BONDS, SERIES 2004 AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, the Constitutional Provision (hereinafter defined), 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 the Constitutional Provision or prior law, at or for the System (hereinafter defined) administration and component institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Board heretofore has authorized, issued and delivered, pursuant to the Constitutional Provision, its Series 1996 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$196,640,000, its Series 1997 Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$108,570,000, its Series 2002A Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$94,050,000, its Series 2002B Bonds (hereinafter defined), which are now outstanding in the aggregate principal amount of \$188,215,000, and its Flexible Rate Notes (hereinafter defined), which are now outstanding in the aggregate principal amount of \$400,000,000, all of which 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 bonds in the maximum aggregate principal amount of \$500,000,000 for the public purposes of refunding the Refunded Bonds (hereinafter defined), consisting of a portion of the outstanding Series 1997 Bonds, and refunding the Refunded Notes (hereinafter defined), consisting of all or a portion of the outstanding Flexible Rate Notes, all pursuant to the Constitutional Provision and the Acts (hereinafter defined) and other applicable laws; and

WHEREAS, the bonds hereinafter authorized for the purpose of refunding the Refunded Bonds 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, both as amended, and Section 65.46, Texas Education Code, as amended.

“*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 1996 Resolution, Section 3.04 of the Series 1997 Resolution, Section 3.04 of the Series 2002A Resolution or Section 3.04 of the Series 2002B 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 Vice Chancellor for Business Affairs, 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 of each Series authorized by this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution.

“*Bond Purchase Contract*” means the Board’s agreement with Underwriters providing for the sale of a Series of Bonds authorized by Section 7.04 hereof; provided that two or more Series of Bonds may be sold to the same Underwriters pursuant to the terms of a single Bond Purchase Contract.

“*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 Agent*” means each Escrow Agent selected pursuant to Section 7.05.

“*Escrow Agreement*” means each Escrow Agreement between the Board and an 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.

“*Flexible Rate Notes*” means the Board’s Flexible Rate Notes, Series A, issued under the Flexible Rate Notes Resolution. As of the date of this Resolution, Flexible Rate Notes are outstanding in the aggregate principal amount of \$400,000,000.

“*Flexible Rate Notes Resolution*” means the amended and restated resolution adopted by the Board on November 13, 2002, authorizing the issuance of the Flexible Rate Notes at any time in a principal amount not to exceed \$400,000,000, as such resolution may be amended from time to time.

“*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 refunding 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 refunding 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 of any Series 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 1996 Bonds, the Series 1997 Bonds, the Series 2002A Bonds and the Series 2002B Bonds.

“*Paying Agent*” means the paying agent for the Bonds appointed by the Board pursuant to 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, 11, 11a, 11b, 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, as amended.

“*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 1997 Bonds in the maximum aggregate principal amount of \$81,020,000 that the Authorized Representative, acting for and on behalf of the Board pursuant to Sections 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 respective Bond Purchase Contract.

“*Refunded Notes*” means the particular Flexible Rate Notes in a maximum aggregate principal amount of \$400,000,000 that the Authorized Representative, acting for and on behalf of the Board pursuant to Sections 7.04 and 7.05 hereof, determines shall be refunded by the Bonds. The Refunded Notes shall be specified in the respective Bond Purchase Contract.

“*Registrar*” means the registrar and transfer agent for the Bonds appointed by the Board pursuant to 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*” means any designated series of Bonds issued pursuant to this Resolution.

“*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.

“*Series 1997 Resolution*” means the resolution adopted by the Board on November 13, 1997, authorizing the issuance of the Series 1997 Bonds, as such resolution may be amended from time to time.

“*Series 2002A Bonds*” means the Board’s Permanent University Fund Refunding Bonds, Series 2002A, authorized to be issued under the Series 2002A Resolution in the original aggregate principal amount of \$105,290,000.

“*Series 2002A Resolution*” means the resolution adopted by the Board on February 14, 2002, authorizing the issuance of the Series 2002A Bonds, as such resolution may be amended from time to time.

“*Series 2002B Bonds*” means the Board’s Permanent University Fund Bonds, Series 2002B, authorized to be issued under the Series 2002B Resolution in the original aggregate principal amount of \$188,215,000.

“*Series 2002B Resolution*” means the resolution adopted by the Board on February 14, 2002, authorizing the issuance of the Series 2002B Bonds, as such resolution may be amended from time to time.

“*State*” means the State of Texas.

“*System*” means The University of Texas System.

“*Underwriters*” means the investment banking firm or firms that contract to purchase the Bonds of a Series, pursuant to a Bond Purchase Contract in accordance with Section 7.04 of this Resolution; provided that the same Underwriters may contract to purchase two or more Series of Bonds pursuant to a single Bond Purchase Contract.

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

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

ARTICLE II

AUTHORIZATION AND TERMS OF THE BONDS

Section 2.01 Authorization and Authorized Amount. Pursuant to authority conferred by and in accordance with the provisions of the Constitution and laws of the State, particularly

the Constitutional Provision and the Acts, the Bonds are hereby authorized to be issued, in the maximum aggregate principal amount of FIVE HUNDRED MILLION DOLLARS (\$500,000,000) in one or more Series for the purpose of obtaining funds to refund the Refunded Bonds and to refund the Refunded Notes, all in accordance with and subject to the terms, conditions and limitations contained herein; provided that (i) Bonds issued to refund Refunded Bonds may not be combined in the same Series with Bonds issued to refund Refunded Notes and (ii) no Series of Bonds may be issued under this Resolution after December 31, 2004. The Bonds are Additional Parity Bonds permitted to be issued under Section 3.04 of the Series 1996 Resolution, Section 3.04 of the Series 1997 Resolution, Section 3.04 of the Series 2002A Resolution and Section 3.04 of the Series 2002B Resolution on a parity and in all respects of equal dignity with the Outstanding Parity Bonds.

Section 2.02 Designation, Form, Numbers, Date and Denomination of the Bonds.

Each Bond shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BOND, SERIES 2004," provided that each Series of Bonds issued to refund Refunded Bonds shall also have the word "REFUNDING" included in the designation of such Bonds before the word "BONDS." Each Series of Bonds shall have a separate letter designation follow the year "2004," starting with the letter "A" and proceeding alphabetically thereafter. The Bonds shall be issuable only in fully registered form without coupons. The Bonds of each Series shall be lettered and numbered separately from 1 upward prefixed by the letter R. Each Bond shall be in an Authorized Denomination and shall be dated as of the date set forth in the respective Bond Purchase Contract.

Section 2.03 Interest Payment Dates and Interest Rates. Interest on the Bonds of each Series shall be payable on January 1 and July 1 of each year, commencing with the first such interest payment date set forth in the respective Bond Purchase Contract, until maturity or prior redemption. The Bonds of each Series 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 respective Bond Purchase Contract; provided that (i) the interest rate or rates for the Bonds must be in a multiple of 1/8 of 1% or 1/20 of 1% and (ii) the maximum interest rate per annum borne by any Bond must not exceed 15%.

Each Initial Bond of a Series and each Bond of such Series authenticated prior to the first Record Date on the Bonds of such Series shall bear interest from the date thereof. Each Bond of a Series authenticated on or after the first Record Date on the Bonds of such Series 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 Maturity; Redemption Prior to Maturity. (a) The Bonds of each Series shall mature on the dates and in the amounts set forth in the respective Bond Purchase Contract; provided, that, (i) each maturity date shall also be an interest payment date and (ii) the

final maturity of the Bonds of such Series shall not be later than 30 years from their dated date as set forth in the respective Bond Purchase Contract.

(b) The Bonds of each Series shall be subject to redemption prior to stated maturity in the manner, on the redemption dates and at the redemption prices provided in the respective Bond Purchase Contract.

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

(d) In addition to the notice of redemption set forth in the FORM OF BOND, the Registrar shall give notice of redemption of Bonds by mail, first-class postage prepaid, at least 30 days prior to a redemption date to each registered securities depository and to any national information service that disseminates redemption notices. In addition, in the event of a redemption caused by an advance refunding of any Bonds, the Registrar shall send a second notice of redemption to the persons specified in the immediately preceding sentence at least 30 days but not more than 90 days prior to the actual redemption date. Any notice sent to the registered securities depositories or such national information services shall be sent so that they are received at least two days prior to the general mailing or publication date of such notice. The Registrar shall also send a notice of prepayment or redemption to the registered owner of any Bond who has not sent its Bonds in for redemption 60 days after the redemption date. Notwithstanding the foregoing, failure to send, mail or receive any notice otherwise required by this Subsection 2.04(c), or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Bond, and it is hereby specifically provided that the publication of notice as required by the FORM OF BOND shall be the only notice actually required in connection with or as a prerequisite to the redemption of any Bonds or portions thereof.

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

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

Section 2.05 Medium and Place of Payment. The principal and redemption price of the Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America, to the respective registered owners thereof upon presentation and surrender thereof at maturity or upon the date fixed for redemption prior to maturity at the 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. Any accrued interest due upon the redemption of any Bond prior to maturity as provided in this Resolution shall be payable to the registered owner thereof at the designated office for payment of the Paying Agent upon presentation and surrender thereof for redemption and payment at such principal office for payment. Notwithstanding the foregoing, any payment to Cede & Co., as nominee of DTC, or its registered assigns, shall be made in accordance with existing arrangements between 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]¹ BOND,
SERIES 2004__

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, [**or the date of redemption prior to maturity,**]² at the interest rate per annum specified above; with interest being payable on January 1 and July 1 of each year, commencing with _____ [**insert the first interest payment date set forth in the respective Bond Purchase Contract**], until maturity or prior redemption, 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,

¹ Include bracketed language only if Series of Bonds are being issued to refund Refunded Bonds.

² Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

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

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity **[or upon the date fixed for its redemption prior to maturity,]**³ at the designated office for payment of _____ in _____, 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. **[Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the designated office for payment of the Paying Agent upon presentation and surrender of this Bond for redemption and payment at the designated office for payment of the Paying Agent.]**⁴ The Board covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date **[and redemption date]**⁵ 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.

³ Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

⁴ Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

⁵ Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

THIS BOND is one of an issue of Bonds issued in the original aggregate principal amount of \$ _____⁶, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND THE BOARD'S PERMANENT UNIVERSITY FUND [BONDS, SERIES 1997, MATURING ON JULY 1, IN THE YEARS _____⁷, IN THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF \$ _____⁸] [FLEXIBLE RATE NOTES, SERIES A, IN THE OUTSTANDING AGGREGATE PRINCIPAL AMOUNT OF \$ _____⁹.]¹⁰

[Insert Redemption Provisions from appropriate Bond Purchase Contract.]

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

⁶ As set forth in respective Bond Purchase Contract.

⁷ As set forth in respective Bond Purchase Contract.

⁸ As set forth in respective Bond Purchase Contract.

⁹ As set forth in respective Bond Purchase Contract.

¹⁰ Select appropriate bracketed language depending upon whether Series of Bonds are being issued to refund Refunded Bonds or Refunded Notes.

upon the surrender thereof for cancellation, at the expense of the Board, all as provided in the Bond Resolution.]¹¹

THIS BOND OR ANY PORTION HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 principal amount may be assigned and shall be transferred only in the Registration Books of the Board kept by the 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 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, **[or any unredeemed portion hereof,]**¹² 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.

¹¹ Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

¹² Include bracketed language only if respective Bond Purchase Contract provides for redemption of Bonds prior to maturity.

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 [(i) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date or (ii)]¹³ 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 Section 18 of Article VII of the Constitution of the State of Texas, and other applicable laws.

THE BOARD heretofore has issued its Permanent University Fund Refunding Bonds, Series 1996, its Permanent University Fund Bonds, Series 1997 [(a portion of which are being refunded by the Bonds)]¹⁴, its Permanent University Fund Refunding Bonds, Series 2002A and its Permanent University Fund Bonds, Series 2002B. The Bond Resolution that authorized the Bonds also authorized the issuance of other series of bonds during calendar year 2004; provided that the principal amount of the Bonds plus the principal amount of all other series of bonds issued under the Bond Resolution may not exceed \$500,000,000. All of the aforesaid bonds also are secured by a first lien on and pledge of the interest of The University of Texas System in the Available University Fund, and are on a parity with and of equal dignity in all respects with the Bonds. The Board has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes that also may be secured by and made payable from a first lien on and pledge of the aforesaid interest of The University of Texas

¹³ Include bracketed language only if Series of Bonds are being issued to refund Refunded Bonds.

¹⁴ Include bracketed language only if Series of Bonds are being issued to refund Refunded Bonds.

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 to 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
(BOARD SEAL)

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

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

OFFICE OF THE COMPTROLLER
OF PUBLIC ACCOUNTS

REGISTER NO.

THE STATE OF TEXAS

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

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

Comptroller of Public Accounts
of the State of Texas

(c) A Registrar's Authentication Certificate shall be printed on each Bond (other than the Initial Bonds), in substantially the following form:

REGISTRAR'S AUTHENTICATION CERTIFICATE

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

Registrar

Dated: _____

Authorized Signature

(d) Assignment provisions shall be printed on 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 Board may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Ratings Group, a division of the McGraw-Hill Companies, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no significance or effect in regard to the legality thereof and neither the Board nor the attorneys approving said Bonds as to legality are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

(f) The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, with respect to each Series of Bonds may be attached to or printed on the reverse side of each Bond of such Series.

Section 2.07 Execution of Bonds. The Bonds shall be executed on behalf of the Board by the Chairman and the Counsel and Secretary to 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 or unredeemed 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 of the same Series, without interest coupons, in an aggregate principal amount equal to the unpaid or unredeemed principal balance of any Bond so surrendered, and payable to the appropriate registered owner or assignee, as the case may be.

Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Registrar, evidencing (i) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee thereof, and (ii) the right of such assignee to have the Bond or any such portion thereof registered in the name of such assignee. A form of assignment shall be printed or endorsed on each Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon the assignment and surrender of any Bond or portion thereof for transfer of registration, an authorized representative of the Registrar shall make such transfer in the Registration Books, and shall deliver a new, fully registered substitute Bond of the same Series, 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 of the same Series assigned and transferred or converted shall be in any Authorized Denomination requested in writing by the registered owner or assignee thereof, shall have all the characteristics and shall be in the form prescribed in the FORM OF BOND set forth in this Resolution, shall be in the same outstanding aggregate principal amount and shall have the same principal maturity date and bear interest at the same rate as the Bonds for which they are exchanged. The Board shall pay the Registrar's fees and charges, if any, for making such transfer or conversion and delivery of a substitute Bond, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Registrar shall not be required to make any transfer of registration, conversion and exchange, or replacement (i) of any Bond or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii), with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

(d) In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Registrar shall cause to be printed, executed, and delivered a new Bond of the same Series, 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 provided above in this subsection.

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

(e) The Registrar shall convert and exchange or replace Bonds as provided herein, and each fully registered Bond delivered in conversion of and exchange for or replacement of any Bond or portion thereof as permitted or required by any provision of this Resolution shall constitute one of the Bonds for all purposes of this Resolution, and may again be converted and exchanged or replaced. No additional ordinances, orders, or resolutions need be passed or adopted by the 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.

(f) 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) (i) with respect to any Bond (or portion thereof) called for redemption prior to maturity, within 45 days prior to the applicable redemption date, or (ii) 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 of each Series shall be delivered against payment to the respective Underwriters. Such Underwriters shall be required to promptly surrender the Initial Bonds to the Registrar for exchange. Bonds issued in exchange shall be registered in the name of Cede & Co., as nominee of DTC, as registered owner of such 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 of each Series. 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 including any notice of redemption, and (iii) the payment to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown in the Registration Books, of any amount with respect to principal of or premium, if any, or interest on the Bonds.

Replacement Bonds may be issued directly to beneficial owners of Bonds other than DTC, or its nominee, but only in the event that (i) DTC determines not to continue to act as securities depository for such 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 of the same Series, in certificate form, to the beneficial owners of such 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 of the same Series 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 of a Series, the beneficial ownership thereof is determined by a book entry at DTC, the requirements in this Resolution of holding, delivering or transferring such Bonds shall be deemed modified to require the appropriate person or entity to meet the requirements of DTC as to registering or transferring the book entry to produce the same effect.

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

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

Section 2.12 Temporary Bonds. Pending the preparation of definitive Bonds of a Series, the Board may execute and, upon the Board's request, the Registrar shall authenticate and deliver, one or more temporary Bonds of the same Series 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 Series, 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 hereby is imposed upon the Registrar. The Authorized Representative is authorized to solicit bids for and to select an initial Paying Agent for paying the principal of and interest on the Bonds. The Authorized Representative is also authorized to enter into and carry out an

agreement with the Paying Agent with respect to 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 of a Series, the Board may be the Registrar and a separate entity may be the Paying Agent for such Bonds. 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 respective 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 respective 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. For each Series of Bonds, there shall be one Initial Bond for each maturity, numbered consecutively in the order of their maturity. Each such Initial Bond shall be registered in the name, or at the direction, of the respective senior managing 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 1996 Resolution to pay the Series 1996 Bonds, by the Series 1997 Resolution to pay the Series 1997 Bonds, by the Series 2002A Resolution to pay the Series 2002A Bonds and by the Series 2002B Resolution to pay the Series 2002B 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 1996 Resolution or the Series 1997 Resolution or the Series 2002A Resolution or the Series 2002B 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 11b 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 PUF Bond, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all PUF Bonds, when issued, that by their terms are required to be redeemed mandatorily prior to maturity, when and as so required, and that it faithfully will do and perform and at all times will observe fully all covenants, undertakings and provisions contained in this Resolution and in the aforesaid obligations; 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 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, the Refunded Notes 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 each Series of Bonds is delivered, that the proceeds of the Refunded Bonds and the Refunded Notes 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 of each Series (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 of each Series as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds of such Series 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 of such Series 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 of such Series 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 of a Series 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 of such Series are issued, an information statement concerning the Bonds of such Series, 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 such person’s individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 7.02 Defeasance of Bonds. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding within the meaning of this Resolution, except to the extent provided in subsection (c) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent 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 51% in principal amount of the aggregate principal amount of then-outstanding PUF Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of PUF Bonds that may be deemed necessary or desirable by the Board; provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding PUF Bonds, the amendment of the terms and conditions in said resolutions or in any PUF Bond so as to:

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

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

(b) Notwithstanding the provisions of Subsection (a) of this Section and subject to the requirements of the resolutions authorizing the outstanding PUF 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 this 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/registrant 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 the PUF Bonds then outstanding.

(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 each Series of Bonds, the amount of Bonds of such Series to be issued and sold and the particular Flexible Rate Notes or Series 1997 Bonds, as appropriate, to be refunded by the Bonds of such Series. The Authorized Representative, acting for and on behalf of the Board, is also hereby authorized to approve, execute and deliver a Bond Purchase Contract with the Underwriters of each Series of Bonds and therein to set forth the price at which the Bonds of such Series shall be sold, the principal amortization schedule for such Bonds, the redemption features of such Bonds, the date of such Bonds, the rate or rates of interest to be borne by such Bonds, the first interest payment date on such Bonds (either a January 1 or a July 1), the Refunded Bonds or Refunded Notes, as appropriate, to be refunded by such Bonds and (in the case of the Refunded Notes) the redemption date(s) of the Refunded Notes, and other matters relating to the issuance, sale and delivery of the Bonds of such Series and the refunding of the Refunded Bonds or Refunded Notes, as appropriate; provided, that, each Bond Purchase Contract must provide for the Series of Bonds to be sold thereunder to be sold on terms that produce (i) interest rates that comply with Section 2.03 of this Resolution and (ii) a sales price for the Bonds of such Series at not less than 95 percent of the par amount thereof (plus accrued interest from the date of such Bonds to the date of delivery thereof against payment therefor). In addition, the Bond Purchase Contract for each Series of Bonds issued to refund the Refunded Bonds must provide for the Bonds of such Series to be sold on terms that produce a present value savings of not less than an amount equal to 0.03 times the principal amount of the Refunded Bonds being refunded by the Bonds of such Series, when the scheduled debt service payable on such 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 respective Bond Purchase Contract at a discount factor equal to the yield on such Bonds determined in accordance with section 148 of the Code. The Authorized Representative's approval of a Bond Purchase Contract shall be conclusively evidenced by said Authorized Representative's execution thereof. The Authorized Representative, acting for and on behalf of the Board, shall designate a senior managing Underwriter for each Series of Bonds and shall select such additional Underwriters as deemed appropriate to assure that the Bonds of such Series are sold on advantageous terms. It is further provided, however, that notwithstanding the foregoing provisions, the Bonds of any Series shall not be delivered unless prior to delivery, such 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, as amended.

(b) Prior to execution of a Bond Purchase Contract, the Authorized Representative, acting for and on behalf of the Board, is authorized and directed to provide for and oversee the preparation of a preliminary official statement to be prepared for distribution (which may be made electronically) by the respective Underwriters to prospective purchasers of the related Series of 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 a Bond Purchase Contract, the Authorized Representative, acting for and on behalf of the Board, shall cause a final official statement to be provided to the respective Underwriters in compliance with Rule 15c2-12.

(c) Following the execution of each Bond Purchase Contract, the Authorized Representative shall notify the Paying Agent in writing of the identity of the respective Underwriters and of the following terms for the related Series of 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 of such Series to the respective Underwriters against payment therefor. Incident to the delivery of each Series of Bonds, the Authorized Representative shall execute:

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

(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 of such Series 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 of such Series 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 of such Series 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.

(d) Notwithstanding anything to the contrary contained in this Section 7.04, the Authorized Representative, acting for and on behalf of the Board, may determine to sell two or more Series of Bonds to the same Underwriters pursuant to the terms of a single Bond Purchase Contract and to prepare one preliminary official statement and one final official statement with respect to the multiple Series of Bonds so sold.

Section 7.05 Refunding of Refunded Bonds and Refunded Notes; Escrow Agreement(s). (a) As provided in Section 7.04 above, the Authorized Representative shall determine the particular Series 1997 Bonds and Flexible Rate Notes to be refunded by the Bonds subject, in the case of the Refunded Bonds, to the minimum net present value savings requirement of said Section 7.04;

(b) Subject to the execution of an appropriate Bond Purchase 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 1997 Bonds constituting Refunded Bonds for redemption prior to maturity on July 1, 2008, at a redemption price of par (plus accrued interest to the date fixed for redemption); and, subject to the execution of an appropriate Bond Purchase Contract and the determination by the Authorized Representative of the Refunded Notes to be refunded by the Bonds, the Board irrevocably calls the particular Flexible Rate Notes constituting Refunded Notes for redemption prior to maturity on the dates set forth in the respective Bond Purchase Contract, at a redemption price of par (plus accrued interest to the date fixed for redemption).

Upon execution of the respective Bond Purchase 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 1997 Resolution and the Flexible Rate Notes Resolution, as appropriate.

(c) Concurrently with the delivery of each Series of Bonds the Authorized Representative shall cause to be deposited from the proceeds from the sale of the Bonds of such Series, together with the other legally available funds as provided in Section 7.08, with the appropriate Escrow Agent, in an amount sufficient to provide for the refunding of the Refunded Bonds or the Refunded Notes, as appropriate, in accordance with Chapter 1207, Texas Government Code, as amended. The discharge and defeasance of the Refunded Bonds and the Refunded Notes, as appropriate, shall be effected pursuant to the terms and provisions of the respective Escrow Agreement with the respective Escrow Agent. The Authorized Representative, acting for and on behalf of the Board, is hereby authorized to solicit bids for and to select one or more Escrow Agent(s) with respect to the Refunded Bonds and the Refunded Notes and to approve, execute and deliver for and on behalf of the Board one or more Escrow Agreement(s) to reflect the appointment, responsibilities and compensation of the Escrow Agent(s), such approval to be conclusively evidenced by the Authorized Representative's execution thereof. Notwithstanding anything to the contrary contained in this Section 7.05, the Authorized Representative, acting for and on behalf of the Board, may determine to approve, execute and deliver for and on behalf of the Board a single Escrow Agreement with the same Escrow Agent for both Refunded Bonds and the Refunded Notes.

(d) To assure the purchase of the “Escrowed Securities” referred to in the Escrow Agreement for the Refunded Bonds, 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 1997 Resolution, in such amounts and maturities and bearing interest at such rates as may be provided for in such 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 such Escrow Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Bonds, the moneys and investments held in the fund securing the Refunded Bonds, and other lawfully available moneys of the Board.

(e) To assure the purchase of the “Escrowed Securities” referred to in the Escrow Agreement for the Refunded Notes, the Authorized Representative, acting for and on behalf of the Board, is hereby authorized to subscribe for, agree to purchase and purchase “Defeasance Obligations,” as defined in the Flexible Rate Notes Resolution, in such amounts and maturities and bearing interest at such rates as may be provided for in such 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 such Escrow Agreement through the use of the proceeds of the Series of Bonds issued to refund the Refunded Notes, the moneys and investments held in the fund securing the Refunded Notes, and other lawfully available moneys of the Board.

(f) To satisfy in a timely manner all of the Board’s obligations under this Resolution and the Escrow Agreement(s), 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 and the Refunded Notes, 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(s) and this Resolution and to direct the transfer and application of funds of the Board consistent with the provisions of such Escrow Agreement(s) and this Resolution.

(g) 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.

(h) It is hereby found and determined that the refunding of the Refunded Notes is advisable and necessary in order to restructure the debt service requirements of the Board so as to fix the borrowing cost of the Board for financing the facilities financed through the issuance of the Refunded Notes for the long term at favorable rates.

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

- (i) accrued interest shall be deposited into the Interest and Sinking Fund;

(ii) the remaining proceeds from the sale of the Bonds of such Series shall, to the extent required, be applied in accordance with the respective 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 related Refunded Bonds or the Refunded Notes, as appropriate, and, to the extent not otherwise provided for, to pay all expenses arising in connection with the issuance of the Bonds of such Series, the establishment of such escrow fund and the refunding of the Refunded Bonds or the Refunded Notes, as appropriate; and

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

Section 7.07 DTC Letter of Representation. The Authorized Representative is authorized to implement the Book-Entry-Only System of Bond registration with respect to the Bonds pursuant to the Blanket Letter of Representation with DTC. The Authorized Representative is authorized and directed to enter into any amendments to the Blanket Letter of Representation with DTC necessary to implement the Book-Entry-Only System.

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 and the Refunded Notes, as appropriate, 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 and the Refunded Notes, as appropriate, 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 each Series of 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 Board's Continuing Disclosure Annual Report relating to Permanent University Fund Bonds filed on February 27, 2004 with the NRMSIRs and the SID, and as otherwise included in the final Official Statement authorized in Section 7.04 of this Resolution. Any financial statements with respect to the Permanent University Fund so to be provided shall be (1) prepared 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, 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 State changes the Fiscal Year, the Board 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 Subsection.

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 Section, 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 to 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 Bond Purchase Contract and the DTC Letter of Representation. In case any officer whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until such delivery.

Section 7.11 Repeal of Conflicting Resolutions. All resolutions and all parts of any resolutions which are in conflict or are inconsistent with this Resolution are hereby repealed and shall be of no further force or effect to the extent of such conflict or inconsistency.

[Execution page follows]

ADOPTED AND APPROVED this the ____ day of _____, 2004.

Chairman
Board of Regents of
The University of Texas System

Attest:

Counsel and Secretary
Board of Regents of
The University of Texas System
[SEAL]