

MATERIAL SUPPORTING THE AGENDA

Volume XXXIIId

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on

May 12, 1986
June 5-6, 1986

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - all items submitted to the Executive Session and distributed only to the Regents, Chancellor and Executive Vice Chancellors of the System.

Yellow paper - emergency items distributed at the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.



Material Supporting the Agenda
of the
Board of Regents
The University of Texas System

Meeting No.: 817

Date: June 5-6, 1986

Location: Austin, Texas

BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

CALENDAR

Place: June 5, 1986 Lobby, Commons Building
 Balcones Research Center
 10100 Burnet Road
 Austin, Texas

 June 6, 1986 Regents' Meeting Room, Ninth Floor
 Ashbel Smith Hall, 201 West 7th Street,
 Austin, Texas

Host Institution: The University of Texas at Austin

Thursday, June 5, 1986

1:30 p.m. Meeting of the Board of Regents

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 Items A - M

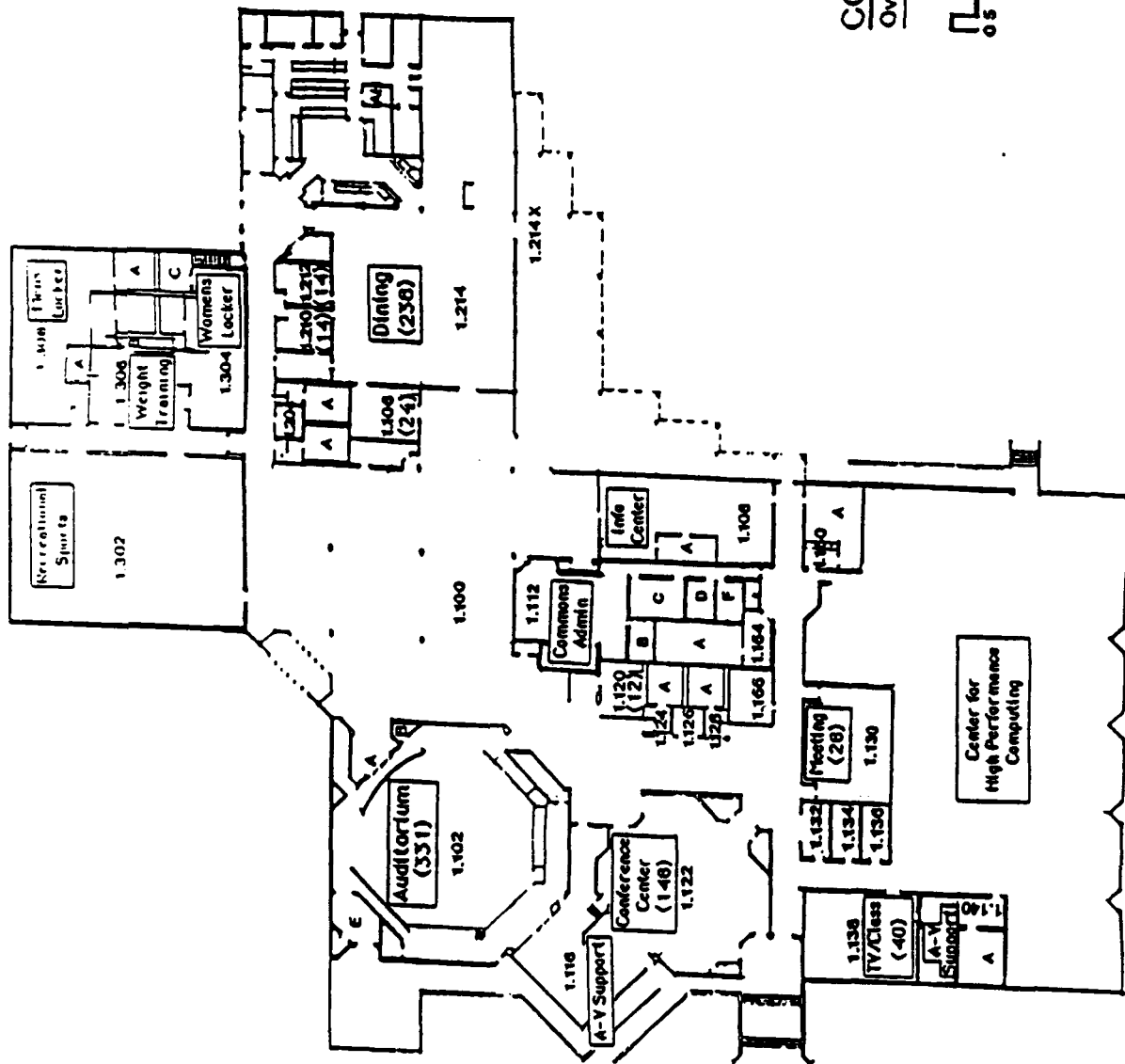
Friday, June 6, 1986

9:00 a.m. Meeting of the Board of Regents

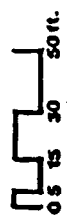
 See Page B of R - 17,
 Items N - R

Telephone Numbers

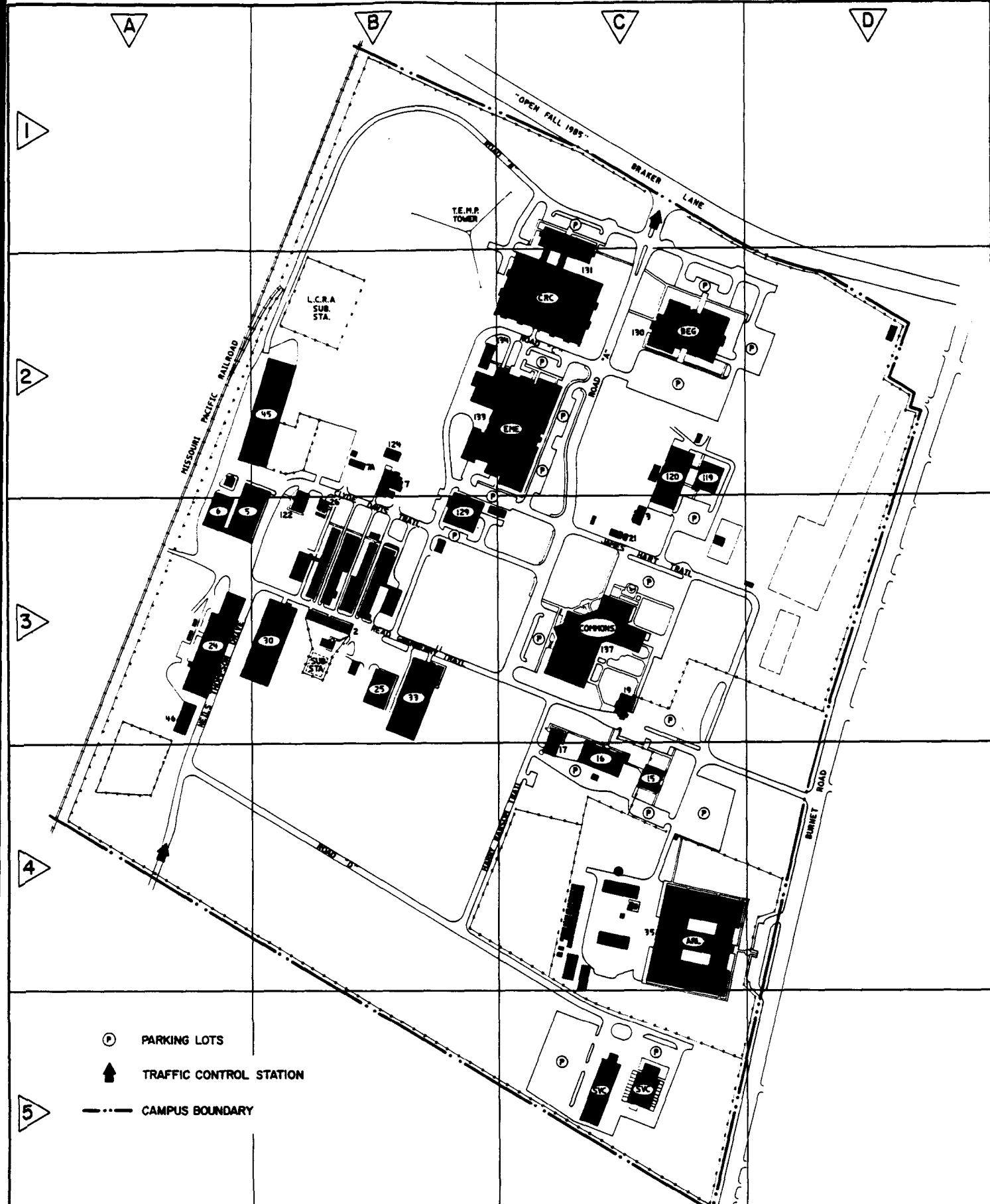
Administrative Office, Commons Building (512) 471-5950
Board of Regents' Office (512) 499-4402



COMMONS
Overall Floor Plan



- Room 1.100 = Regents' Meeting Room
- Room 1.130 = Executive Session
- Room 1.112 = Regents' Secretarial Office
- Room 1.106 = Telephones for Press



- Ⓟ PARKING LOTS
- ↑ TRAFFIC CONTROL STATION
- CAMPUS BOUNDARY

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BALCONES RESEARCH CENTER

THE UNIVERSITY OF TEXAS AT AUSTIN

**Meeting of
the Board**



AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date and Time: Thursday, June 5, 1986, from 1:30 p.m.
Until Recess
Friday, June 6, 1986, from 9:00 a.m.
Until Adjournment

Place: Lobby, Commons Building, Balcones Research Center

- A. CALL TO ORDER
- B. WELCOME BY PRESIDENT CUNNINGHAM
- C. APPROVAL OF MINUTES OF REGULAR MEETING HELD ON
APRIL 10-11, 1986, AND SPECIAL MEETING HELD
ON MAY 12, 1986
- D. INTRODUCTION OF COMPONENT GUESTS
 - 1. U. T. Arlington - President Nedderman
 - 2. U. T. Austin - President Cunningham
 - 3. U. T. Dallas - President Rutford
 - 4. U. T. El Paso - President Monroe
 - 5. U. T. Permian Basin - President Leach
 - 6. U. T. San Antonio - President Wagener
 - 7. U. T. Tyler - President Hamm
 - 8. U. T. Institute of Texan Cultures - San Antonio -
Interim Executive Director McGiffert
 - 9. U. T. Health Science Center - Dallas -
President Sprague
 - 10. U. T. Medical Branch - Galveston - President Levin
 - 11. U. T. Health Science Center - Houston -
President Bulger
 - 12. U. T. Health Science Center - San Antonio -
President Howe
 - 13. U. T. Cancer Center - President LeMaistre
 - 14. U. T. Health Center - Tyler - Director Hurst
 - 15. Others

E. SPECIAL ITEMS

1. U. T. Board of Regents: Matters Related to the Advance Refunding of Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series 1972, and Series 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978.--

It is anticipated that supplemental materials detailing the background and recommendations related to this item will be available at the meeting and that Executive Vice Chancellor for Asset Management Patrick, Vice Chancellor and General Counsel Crowson, underwriters counsel, and bond counsel will make any necessary presentations.

2. U. T. Board of Regents: Consideration of Matters Related to the Advance Refunding of the Non-Permanent University Fund Bond Indebtedness Excepting (1) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston, Endowment and Hospital Revenue Bonds, Series 1972 and 1976; (2) the Board of Regents of The University of Texas System, The University of Texas M. D. Anderson Hospital and Tumor Institute at Houston, Hospital Revenue Bonds, Subordinate Lien Series 1976; (3) the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986; and (4) the Board of Regents of The University of Texas System, The University of Texas at Austin Building Revenue Refunding Bonds, Series 1986.--

It is anticipated that supplemental materials detailing the background and recommendations related to this item will be available at the meeting and that Executive Vice Chancellor for Asset Management Patrick, Vice Chancellor and General Counsel Crowson, underwriters counsel, and bond counsel will make any necessary presentations.

SUPPLEMENTAL MATERIAL

JUNE 5, 1986

1. U. T. System: Matters Related to the Advance Refunding of Board of Regents of The University of Texas System General Tuition Revenue Bonds, 1971, 1972, 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978.--

The Office of the Chancellor recommends that the U. T. Board of Regents take the following actions:

- a. Approve the resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System General Tuition Revenue Bonds, 1971, 1972, 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978, and approving and authorizing instruments and procedures relating thereto as set out in Attachment A (in approving the resolution the Board will be approving an Official Statement substantially in the form set out in Attachment C, a Bond Purchase Contract substantially in the form set out in Attachment D, a Paying Agent/Registrar Agreement substantially in the form set out in Attachment E, and a Financial Guaranty Agreement substantially in the form set out in Attachment H.
- b. Approve the resolution authorizing the execution of an Escrow Agreement relating to the refunding of Board of Regents of The University of Texas System General Tuition Revenue Bonds, 1971, 1972, 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978, as set out in Attachment B.
- c. Designate MBank Dallas, National Association, Dallas, Texas, as Paying Agent/Registrar (A tabulation of the bids received is set out in Attachment F.).
- d. Designate MBank Houston, National Association, Houston, Texas, as Escrow Agent (A tabulation of the bids received is set out in Attachment G.).
- e. Approve the purchase of reserve insurance from Municipal Bond Insurance Association per the Financial Guaranty Agreement as set out in Attachment H.
- f. Approve the sale of the refunding bonds according to the terms and conditions to be presented at the meeting.
- g. Authorize the appropriate officers of the U. T. Board of Regents and the U. T. System Administration to take any other actions necessary and appropriate to the advance refunding of Board of Regents of The University of Texas System General Tuition Revenue Bonds, 1971, 1972, 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978.

BACKGROUND INFORMATION

At its regular April 1986 meeting, the Board of Regents authorized the Office of Asset Management and the Office of General Counsel to take all necessary steps to bring to the U. T. Board of Regents at a special meeting a firm recommendation concerning advance refunding of the outstanding Board of Regents of The University of Texas System General Tuition Revenue Bonds,

1971, 1972, 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978; appointed Morgan Guaranty Trust Company of New York as managing underwriter; appointed a group of co-managing underwriters; concurred in the appointment of Jenkins, Hutchison & Gilchrist, Dallas, Texas and Reynolds, Allen & Cook, Inc., Houston, Texas as co-underwriters counsel; appointed Fulbright & Jaworski of Houston, Texas, McCall, Parkhurst & Horton of Dallas, Texas, and Vinson & Elkins of Houston, Texas, as co-bond counsel; designated the members of the Land and Investment Committee of the U. T. Board of Regents, the Executive Vice Chancellor for Asset Management, the Manager of Debt Administration and the General Counsel as a pricing committee; authorized the Office of Asset Management to advertise for bids for an Escrow Agent and a Paying Agent and Registrar; and authorized the Office of Asset Management to establish from the proceeds of the advance refunding any necessary accounts to receive and disburse monies related to the cost of the advance refunding. The recommendation originally scheduled for the special meeting was deferred to the June meeting to allow for the negotiation of reserve insurance with Municipal Bond Insurance Association, White Plains, New York. The actions recommended above will complete the transaction approved by the Board at its April meeting. Executive Vice Chancellor Patrick, Vice Chancellor Crowson, underwriters counsel, and bond counsel will make any necessary presentations at the meeting.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1986, AND APPROVING AND AUTHORIZING INSTRUMENTS AND PROCEDURES RELATING THERETO

WHEREAS, the Board of Regents of The University of Texas System heretofore has authorized, issued, and delivered the following described Series of bonds:

- (a) Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series Series 1972, and Series 1972-A; and
- (b) Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978;

(collectively, the "Outstanding Bonds"); and

WHEREAS, the above Series of bonds are now outstanding in the aggregate principal amount of \$106,005,000, and the Board of Regents of The University of Texas System has determined to refund all of said Outstanding Bonds; and

WHEREAS, the bonds hereinafter authorized are to be issued and delivered pursuant to Vernon's Ann. Tex. Civ. St. Articles 717k, 717q, and other applicable laws; Now, Therefore

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

Section 1. DEFINITIONS. As used in this Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" means the additional parity revenue bonds permitted to be authorized in this Resolution.

The term "Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York, and includes any reinsuring surety permitted under the Financial Guaranty Agreement.

The term "Appreciated Amount" means with respect to a Capital Appreciation Bond, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Resolution authorizing such bonds.

The terms "Board" and "Issuer" mean the Board of Regents of The University of Texas System.

The term "Bonds" means collectively the Initial Bond authorized by Sections 2, 3 and 4 of this Resolution, and all substitute bonds exchanged therefor, and all other substitute and replacement bonds issued pursuant to this Resolution; and the term Bond means any of the Bonds.

The term "Demand for Payment" means the certificate submitted on behalf of the Board to the Association for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

The term "each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Board" shall mean and include The University of Texas System and any other institution, branch, or school now or hereafter operated by or placed under the jurisdiction of the Board pursuant to law.

The term "Financial Guaranty Agreement" means the Financial Guaranty Agreement dated the date of delivery of the Initial Bond by and between the Board and the Association, as the same may be amended.

The term "Investment Securities" means the following securities or contracts to acquire the following securities, to-wit:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America;

(ii) bonds, participation certificates or other obligations of any agency or instrumentality of the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

(iii) new housing authority bonds issued by public agencies of a state or of municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America;

(iv) direct and general obligations of any state of the United States of America, or of any municipality or school

district of the State of Texas, to the payment of the principal of and interest on which the full faith and credit of such state or municipality, as the case may be, is pledged, provided that such obligations are rated, at the time of purchase, in either of the two highest rating categories, without regard to rating sub-categories, by a nationally recognized bond rating agency;

(v) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, provided that such certificates of deposit shall be purchased directly from such bank, trust company, or national banking association and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully secured by such securities as are described above in clauses (i) through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with or as directed by the Board, by the bank, trust company, or national banking association issuing such certificates of deposit;

(vi) uncollateralized certificates of deposit of financial institutions which certificates of deposit are rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate rating agency;

(vii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above; and with the securities lodged with or as directed by the Board;

(viii) banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by clauses (v) and (vi) above) of the domestic branches of foreign banks having a capital and surplus of \$3,000,000,000 or more, or any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof, having capital and surplus, if located in the State of Texas, in the amount of \$200,000,000, and, if located outside of the State of Texas, in the amount of \$3,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under this Resolution with respect to any particular

bank, trust company, or national association located in the State of Texas shall not exceed 10% of the amount of its capital and surplus and with respect to any particular bank, trust company, or national association located outside of the State of Texas shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company, or national association shall be rated at the time of purchase in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate rating agency;

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board;

(x) municipal or corporate commercial paper rated, at the time of purchase, either A-1 or P-1, or municipal or corporate bonds or notes rated, at the time of purchase, in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized municipal or corporate rating agency;

(xi) other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust company) which has outstanding, at the time of investment, debt securities rated in one of the two highest rating categories, without regard to rating sub-categories, by any nationally recognized rating agency;

(xii) investments of any type described and permitted by any law of the State of Texas applicable to the Board, including, without limitation, investments authorized by Article 717k-6, Vernon's Texas Civil Statutes, as the same now exists or is hereafter amended; and

(xiii) money market funds which invest in any of the above listed obligations.

The term "Outstanding Principal Amount" shall mean the outstanding and unpaid principal amount of the Bonds and Additional Bonds paying interest on a current basis ("Current Interest Bonds") and the outstanding and unpaid Appreciated Amount of the Bonds and Additional Bonds paying accrued and compounded interest only at maturity ("Capital Appreciation Bonds").

The term "Pledged General Tuition" shall mean all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school, now or hereafter operated by or under the jurisdiction of the Board, but specifically excluding and excepting (1) the amount of tuition scholarships now provided for by law, and (2) the following amount of such student tuition charges at each and every such institution, branch, and school which previously has been or hereafter may be pledged to the payment of other bonds (those previously issued bonds being hereafter referred to as the "Prior Bonds") (excepting the Bonds and Additional Bonds) issued by the Board: \$5.00 from each enrolled student for each regular semester and, so long as the Prior Bonds are outstanding, \$5.00 from each enrolled student for each summer session, and after the Prior Bonds are no longer outstanding, \$2.50 from each enrolled student for each summer term of each summer session; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Bonds and any Additional Bonds by this Resolution, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

The term "Pledged Revenues" shall mean collectively (a) the Pledged General Tuition, (b) all interest, income, and earnings derived from the deposit and investment of the Interest and Sinking Fund and Reserve Fund established pursuant to this Resolution, and (c) any additional revenues, income, receipts, or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which hereafter may be pledged to the payment of the Bonds or the Additional Bonds.

The term "Resolution" means this resolution authorizing the Bonds.

The term "Surety Bond" means that surety bond issued by the Association guaranteeing, subject to the terms and limitations thereof, payments of interest on and principal of the Bonds required to be made by the Board, substantially in the form attached to the Financial Guaranty Agreement as Annex A.

The term "Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

The term "Surety Bond Limit" means \$7,278,592.98.

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

The University of Texas at Arlington;
The University of Texas at Austin;
The University of Texas at Dallas;
The University of Texas at El Paso;
The University of Texas of the Permian Basin;
The University of Texas at San Antonio;
The University of Texas at Tyler;
The University of Texas Health Science Center at Dallas;
The University of Texas Medical Branch at Galveston;
The University of Texas Health Science Center at Houston;
The University of Texas Health Science Center at San Antonio;
The University of Texas System Cancer Center;
The University of Texas Health Center at Tyler; and
The University of Texas Institute of Texan Cultures at San Antonio,

and in the future will mean every other entity not mentioned above which is included within the meaning of the term "each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Board", as herein defined.

Section 2. AMOUNT, PURPOSE, AND DESIGNATION OF THE BONDS.

The bond or bonds of the Issuer are hereby authorized to be issued and delivered in the aggregate principal amount of \$85,365,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$106,005,000. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM GENERAL TUITION REVENUE REFUNDING BOND, SERIES 1986", and initially there shall be issued, sold, and delivered hereunder a fully registered bond, without interest coupons, payable in installments (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for other fully registered bonds, in the denomination of \$5,000 or any integral multiple of \$5,000 in principal amount (the "Authorized Denominations"), all in the manner hereinafter provided.

Without limiting the purpose for the Bonds as stated above, the proceeds from the sale of the Bonds shall be applied, to the extent not otherwise provided for, to pay expenses arising in connection with the issuance of the Bonds, including payment of a Surety Bond premium of \$291,143.72 to the Association.

Section 3. INITIAL DATE, DENOMINATIONS, NUMBERS, MATURITIES, INITIAL REGISTERED OWNER, CHARACTERISTICS OF THE INITIAL BOND, AND INTEREST ON THE INITIAL BOND.

(a) The Initial Bond is hereby authorized to be issued, sold, and delivered hereunder as a single fully registered Bond, without interest coupons, dated JUNE 1, 1986, in the denomination and aggregate principal amount of \$85,365,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

CEDE & CO,

or to the registered assignee or assignees of said Initial Bond or any portion or portions thereof (in each case, the "registered owner"), with the annual installments of principal of the Initial Bond to be payable on the dates, respectively, and in the principal amounts, respectively, stated in the FORM OF INITIAL BOND set forth in this Resolution.

(b) The Initial Bond (i) may and shall be prepaid or redeemed prior to the respective scheduled due dates of installments of principal thereof, (ii) may be assigned and transferred, (iii) may be converted and exchanged for other Bonds, (iv) shall have the characteristics, and (v) shall be signed and sealed, and the principal of and interest on the Initial Bond shall be payable, all as provided, and in the manner required or indicated, in the FORM OF INITIAL BOND set forth in this Resolution.

(c) The unpaid principal balance of the Initial Bond shall bear interest from the dates, payable in the manner, at the rates, and on the dates, respectively, as provided in the FORM OF INITIAL BOND set forth in this Resolution.

Section 4. FORM OF INITIAL BOND. The form of the Initial Bond, including the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be endorsed on the Initial Bond, shall be substantially as follows:

FORM OF INITIAL BOND

NO. R-1

\$85,365,000

UNITED STATES OF AMERICA
STATE OF TEXAS
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BOND
SERIES 1986

The BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to

CEDE & CO,

or to the registered assignee or assignees of this Bond or any portion or portions hereof (in each case, the "registered owner") the aggregate principal amount of

\$85,365,000

(EIGHTY FIVE MILLION THREE HUNDRED SIXTY FIVE THOUSAND DOLLARS)

in installments of principal due and payable on AUGUST 15 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

Principal Amount	Year	Principal Amount	Year
\$3,160,000	1987	\$6,110,000	1994
2,685,000	1988	6,385,000	1995
2,835,000	1989	6,220,000	1996
5,010,000	1990	4,920,000	1997
5,345,000	1991	5,320,000	1998
5,565,000	1992	5,750,000	1999
5,825,000	1993	20,235,000	2002

and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from JUNE 1, 1986, which is the date of this Bond, on the balance of each such installment of principal, respectively, from time to time remaining unpaid, at the rates as follows:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Interest Rate</u>
1987	4.75%	1994	7.50%
1988	5.40%	1995	7.70%
1989	6.00%	1996	7.80%
1990	6.40%	1997	8.00%
1991	6.75%	1998	8.00%
1992	7.00%	1999	8.00%
1993	7.25%	2002	8.125%

with said interest being payable on FEBRUARY 15, 1987, and semiannually on each AUGUST 15 and FEBRUARY 15 thereafter while this Bond or any portion hereof is outstanding and unpaid.

THE INSTALLMENTS OF PRINCIPAL OF AND THE INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The installments of principal and the interest on this Bond are payable to the registered owner hereof through the services of MBank Dallas, National Association, which is the "Paying Agent/Registrar" for this Bond. Payment of all principal of and interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each principal and/or interest payment date by check, dated as of such date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of this Bond (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each principal and/or interest payment date, to the registered owner hereof at the address of the registered owner as it appeared on the close of business on the last calendar day of the month preceding such principal and/or interest payment date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. The Issuer covenants with the registered owner of this Bond that prior to each principal and/or interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund", as defined and described in the Bond Resolution (the "Interest and Sinking Fund"), the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on this Bond, when due.

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

THIS BOND has been authorized FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF THE BOARD OF REGENTS OF THE

UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$106,005,000.

ON AUGUST 15, 1996, or on any date thereafter, the unpaid installments of principal of this Bond may be prepaid or redeemed prior to their scheduled due dates, at the option of the Issuer, with funds derived from any available source, as a whole, or in part, and, if in part, the particular portion of this Bond to be prepaid or redeemed shall be selected and designated by the Issuer (provided that a portion of this Bond may be redeemed only in an integral multiple of \$5,000), at a prepayment or redemption price (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as set forth in the following schedule, plus accrued interest to the date fixed for prepayment or redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
AUGUST 15, 1996 through AUGUST 14, 1997	102%
AUGUST 15, 1997 through AUGUST 14, 1998	101.5%
AUGUST 15, 1998 through AUGUST 14, 1999	101%
AUGUST 15, 1999 through AUGUST 14, 2000	101.5%
AUGUST 15, 2000 and thereafter	100%

ON AUGUST 15, 2000, and each AUGUST 15 thereafter, the installment of principal of this Bond which is due and payable on August 15, 2002, is subject to mandatory sinking fund prepayment or redemption prior to its scheduled due date, and shall be prepaid or redeemed by the Issuer, in part, prior to its scheduled due date, with money from the Interest and Sinking Fund, at a prepayment or redemption price equal to the principal amount thereof and accrued interest to the date of prepayment or redemption, on the dates, and in the principal amounts, respectively, as set forth in the following schedule:

<u>Prepayment or Redemption Dates</u>	<u>Principal Amounts</u>
AUGUST 15, 2000	\$6,215,000
AUGUST 15, 2001	\$6,730,000

The installment of principal of the Bond required to be redeemed on any redemption date pursuant to the foregoing operation of the mandatory sinking fund, prepayment or redemption shall be reduced by the installment of principal of the Bond which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Issuer, with funds in the Interest and Sinking Fund, in either case of (1)

or (2) at a price not exceeding the principal amount of such Bond or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption.

AT LEAST 30 days prior to the date fixed for any such prepayment or redemption a written notice of such prepayment or redemption shall be mailed by the Paying Agent/Registrar to the registered owner hereof. By the date fixed for any such prepayment or redemption due provision shall be made by the Issuer with the Paying Agent/Registrar for the payment of the required prepayment or redemption price for this Bond or the portion hereof which is to be so prepaid or redeemed, plus accrued interest thereon to the date fixed for prepayment or redemption. If such written notice of prepayment or redemption is given, and if due provision for such payment is made, all as provided above, this Bond, or the portion thereof which is to be so prepaid or redeemed, thereby automatically shall be treated as prepaid or redeemed prior to its scheduled due date, and shall not bear interest after the date fixed for its prepayment or redemption, and shall not be regarded as being outstanding except for the right of the registered owner to receive the prepayment or redemption price plus accrued interest to the date fixed for prepayment or redemption from the Paying Agent/Registrar out of the funds provided for such payment. The Paying Agent/Registrar shall record in the Registration Books all such prepayments or redemptions of principal of this Bond or any portion hereof.

THIS BOND, to the extent of the unpaid or unredeemed principal balance hereof, or any unpaid and unredeemed portion hereof in any integral multiple of \$5,000, may be assigned by the initial registered owner hereof and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such transfer, this Bond must be presented and surrendered to the Paying Agent/ Registrar for cancellation, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment by the initial registered owner of this Bond, or any portion or portions hereof in any integral multiple of \$5,000, to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. Any instrument or instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any such portion or portions hereof by the initial registered owner 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 initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial

registered owner, shall be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond or any portion or portions hereof, but solely in the form and manner as provided in the next paragraph hereof for the conversion and exchange of this Bond or any portion hereof. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

AS PROVIDED above and in the Bond Resolution, this Bond, to the extent of the unpaid or unredeemed principal balance hereof, may be converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, payable to the assignee or assignees duly designated in writing by the initial registered owner hereof, or to the initial registered owner as to any portion of this Bond which is not being assigned and transferred by the initial registered owner, in any denomination or denominations in any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute bond issued in exchange for any portion of this Bond shall have a single stated principal maturity date), upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. If this Bond or any portion hereof is assigned and transferred or converted each bond issued in exchange for any portion hereof shall have a single stated principal maturity date corresponding to the due date of the installment of principal of this Bond or portion hereof for which the substitute bond is being exchanged, and shall bear interest at the rate applicable to and borne by such installment of principal or portion thereof. Such bonds, respectively, shall be subject to redemption prior to maturity on the same dates and for the same prices as the corresponding installment of principal of this Bond or portion hereof for which they are being exchanged. No such bond shall be payable in installments, but shall have only one stated principal maturity date. AS PROVIDED IN THE BOND RESOLUTION, THIS BOND IN ITS PRESENT FORM MAY BE ASSIGNED AND TRANSFERRED OR CONVERTED ONCE ONLY, and to one or more assignees, but the bonds issued and delivered in exchange for this Bond or any portion hereof may be assigned and transferred, and converted, subsequently, as provided in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for transferring, converting and exchanging this Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make any such assignment, conversion, or exchange (i) during the period commencing with the close of business on any Record Date and ending with

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

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, sold, 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 are secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include (i) certain Pledged General Tuition, being certain tuition charges imposed on students enrolled at each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Issuer and (ii) certain investment income.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the Bond Resolution with the approval of the owners of 51% in Outstanding Principal Amount (as defined in the Bond Resolution) of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

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

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

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

and countersigned with the manual signature of the Executive Secretary of the Issuer, has caused the official seal of the Issuer to be duly impressed on this Bond, and has caused this Bond to be dated JUNE 1, 1986.

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

Chairman, Board of Regents of The University of Texas System

(BOARD SEAL)

[FORM OF COMPTROLLER'S REGISTRATION CERTIFICATE]
COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO.

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

Witness my signature and seal this

Comptroller of Public Accounts of the State of Texas

(COMPTROLLER'S SEAL)

Section 5. ADDITIONAL CHARACTERISTICS OF THE BONDS.
Registration and Transfer. (a) The Issuer shall keep or cause to be kept at the principal corporate trust office of MBank Dallas, National Association, Dallas, Texas (the "Paying Agent/Registrar") books or records of the registration and transfer of the Bonds (the "Registration Books"), and the Issuer hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such transfers and registrations under such reasonable regulations as the Issuer and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such transfers and registrations as herein provided. The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/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 Issuer shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit

their inspection by any other entity. Registration of each Bond may be transferred in the Registration Books only upon presentation and surrender of such Bond to the Paying Agent/-Registrar for transfer of registration and cancellation, together with proper written instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing (1) the assignment of the Bond, or any portion thereof in any Authorized Denomination, to the assignee or assignees thereof, and (ii) the right of such assignee or assignees to have the Bond or any such portion thereof registered in the name of such assignee or assignees. Upon the assignment and transfer of any Bond or any portion thereof, a new substitute Bond or Bonds shall be issued in conversion and exchange therefor in the manner herein provided. The Initial Bond, to the extent of the unpaid or unredeemed principal balance thereof, may be assigned and transferred by the initial registered owner thereof once only, and to one or more assignees designated in writing by the initial registered owner thereof. All Bonds issued and delivered in conversion of and exchange for the Initial Bond shall be in any Authorized Denomination, (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), shall be in the appropriate form prescribed for such substitute bond in the FORM OF SUBSTITUTE BOND hereinafter set forth in this Resolution, and shall have the characteristics, and may be assigned, transferred, and converted as hereinafter provided. If the Initial Bond or any portion thereof is assigned and transferred or converted the Initial Bond must be surrendered to the Paying Agent/Registrar for cancellation, and each Bond issued in exchange for any portion of the Initial Bond shall have a single stated maturity date, and shall not be payable in installments; and each such Bond shall have a maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate borne by and payable in the same manner as provided for the installment of principal or portion thereof for which it is being exchanged. If only a portion of the Initial Bond is assigned and transferred, there shall be delivered to and registered in the name of the initial registered owner substitute Bonds in exchange for the unassigned balance of the Initial Bond in the same manner as if the initial registered owner were the assignee thereof. If any Bond or portion thereof other than the Initial Bond is assigned and transferred or converted each Bond issued in exchange therefor shall have the same maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is exchanged. A form of assignment shall be printed or endorsed on each Bond, excepting the Initial Bond, which shall be executed by the registered owner or its duly authorized attorney or representative to evidence an assignment thereof. Upon surrender of any Bonds or any portion or

portions thereof for transfer of registration, an authorized representative of the Paying Agent/Registrar shall make such transfer in the Registration Books, and shall deliver a new fully registered substitute Bond or Bonds, having the characteristics herein described, payable to such assignee or assignees (which then will be the registered owner or owners of such new Bond or Bonds), 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 Bonds or any portion or portions thereof, in the same form and manner, and with the same effect, as provided in Section 5(d), below, for the conversion and exchange of Bonds by any registered owner of a Bond. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for making such transfer and delivery of a substitute Bond or Bonds, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of any Bond or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following 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.

(b) 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 Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary; and payment of, or on account of, the principal of, premium, if any, and interest on any such Bond shall be made only to such registered owner. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(c) Payment of Bonds and Interest. The Issuer hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, and to act as its agent to convert and exchange or replace Bonds, all as provided in this Resolution. The Paying Agent/Registrar shall keep proper records of all payments made by the Issuer and the Paying Agent/Registrar with respect to the Bonds, and of all conversions and exchanges of Bonds, and all replacements of Bonds, as provided in this Resolution.

(d) Conversion and Exchange or Replacement; Authentication. Each Bond issued and delivered pursuant to this Resolution, to the extent of the unpaid or unredeemed principal balance, principal amount or maturity amount thereof, may, upon surrender of such Bond at the principal corporate trust office

of the Paying Agent/Registrar, together with a written request therefor duly executed by the registered owner or the assignee or assignees thereof, or its or their duly authorized attorneys or representatives, with guarantee of signatures satisfactory to the Paying Agent/Registrar, may, at the option of the registered owner or such assignee or assignees, as appropriate, be converted into and exchanged for fully registered bonds, without interest coupons, in the FORM OF SUBSTITUTE BOND set forth in this Resolution, in Authorized Denominations, (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated maturity date), as requested in writing by such registered owner or such assignee or assignees, in an aggregate principal amount equal to the unpaid or unredeemed principal balance or principal amount of any Bond or Bonds so surrendered, and payable to the appropriate registered owner, assignee, or assignees, as the case may be. If the Initial Bond is assigned and transferred or converted each substitute Bond issued in exchange for any portion of the Initial Bond shall have a single stated maturity date, and shall not be payable in installments; and each such Bond shall have a maturity date corresponding to the due date of the installment of principal or portion thereof for which the substitute Bond is being exchanged; and each such Bond shall bear interest at the single rate borne by and payable in the same manner as provided for the installment of principal or portion thereof for which it is being exchanged. If a portion of any Bond (other than the Initial Bond) shall be redeemed prior to its scheduled maturity as provided herein, a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, and payable in the same manner, in Authorized Denominations at the request of 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. If any Bond or portion thereof (other than the Initial Bond) is assigned and transferred or converted, each Bond issued in exchange therefor shall have the same maturity date and bear interest at the same rate and payable in the same manner as the Bond for which it is being exchanged. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond. The Paying Agent/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. The Initial Bond issued and delivered pursuant to this Resolution is not required to be, and shall not be, authenticated by the Paying Agent/Registrar, but on each substitute Bond issued in conversion of and exchange for or replacement of any Bond or Bonds issued under this Resolution there shall be printed a certificate, in the form substantially as follows:

"PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

Paying Agent/Registrar

Dated

Authorized Representative"

An authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the above Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all Bonds surrendered for conversion and exchange or replacement. No additional ordinances, orders, or resolutions need be passed or adopted by the Issuer or any other body or person so as to accomplish the foregoing conversion and exchange or replacement of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Vernon's Ann. Tex. Civ. St. Art. 717k-6, and particularly Section 6 thereof, the duty of conversion and exchange or replacement of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of the above Paying Agent/Registrar's Authentication Certificate, 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 Bond which originally was issued pursuant to this Resolution, approved by the Attorney General, and registered by the Comptroller of Public Accounts. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges, if any, for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting any such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange or replacement of Bonds or any portion thereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next

following interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

(e) In General. All Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may and shall be redeemed prior to their scheduled maturities, (iii) may be transferred and assigned, (iv) may be converted and exchanged for other Bonds, (v) shall have the characteristics, (vi) shall be signed and sealed, and (vii) the principal of and interest on the Bonds shall be payable, all as provided, and in the manner required or indicated, in this Resolution.

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

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

mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Resolution, and a certified copy of this Resolution shall be delivered to each Paying Agent/Registrar.

Section 6. FORM OF SUBSTITUTE BONDS. The forms of all Bonds issued in conversion and exchange or replacement of any other Bond or portion thereof, including the form of Paying Agent/Registrar's Certificate to be printed on each of such Bonds, and the Form of Assignment to be printed on each of the Bonds, shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Resolution.

FORM OF SUBSTITUTE BOND

NO. _____ UNITED STATES OF AMERICA PRINCIPAL AMOUNT
 STATE OF TEXAS \$ _____
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 GENERAL TUITION REVENUE REFUNDING BOND
 SERIES 1986

INTEREST RATE MATURITY DATE BOND DATE CUSIP NO.
 _____% _____ JUNE 1, 1986 _____
 PRINCIPAL AMOUNT: DOLLARS
 REGISTERED OWNER:

ON THE MATURITY DATE specified above the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (the "Issuer"), being an agency and political subdivision of the State of Texas, hereby promises to pay to the Registered Owner specified above or the registered assignee hereof (either being hereinafter called the "registered owner") the principal amount specified above and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from the Bond Date specified above, to the Maturity Date specified above, or the date of redemption prior to maturity, at the interest rate per annum specified above; with interest being payable on FEBRUARY 15, 1987, and semiannually on each AUGUST 15 and FEBRUARY 15 thereafter, except that if the date of authentication of this Bond is later than JANUARY 31, 1987, such principal amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date (hereinafter defined) but on or before the next following interest payment date, in which case such principal amount shall bear interest from such next following interest payment date.

THE PRINCIPAL OF AND INTEREST ON this Bond are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the registered owner hereof upon presentation and surrender of this Bond at maturity or upon the date fixed for its redemption prior to maturity, at the principal corporate trust office of MBank Dallas, National Association, which is the "Paying Agent/Registrar" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the registered owner hereof on each interest payment date by check, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the Issuer required by the resolution authorizing the issuance of the Bonds (the "Bond Resolution") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the close of business on the last calendar day of the month preceding such principal and/or interest payment date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal corporate trust office of the Paying Agent/Registrar upon presentation and surrender of this Bond for redemption and payment at the principal corporate trust office of the Paying Agent/Registrar. The Issuer covenants with the registered owner of this Bond that on or before each principal payment date, interest payment date, and accrued interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by 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.

ON AUGUST 15, 1996, or on any date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part, and, if in part, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), at a redemption price (expressed as a percentage of principal amount) applicable to the date of redemption falling within the applicable redemption period, as

set forth in the following schedule, plus accrued interest to the date fixed for redemption:

<u>Redemption Period</u>	<u>Redemption Price</u>
AUGUST 15, 1996 through AUGUST 14, 1997	102%
AUGUST 15, 1997 through AUGUST 14, 1998	101.5%
AUGUST 15, 1998 through AUGUST 14, 1999	101%
AUGUST 15, 1999 through AUGUST 14, 2000	101.5%
AUGUST 15, 2000 and thereafter	100%

ON AUGUST 15, 2000, and on each AUGUST 15 thereafter, the Bonds of this issue scheduled to mature on August 15, 2002, are subject to mandatory sinking fund redemption prior to their scheduled maturity and shall be redeemed by the Issuer, in part, prior to their scheduled maturity, with the particular Bonds or portions thereof to be redeemed to be selected and designated by the Issuer (provided that a portion of a Bond may be redeemed only in an integral multiple of \$5,000), with money from the Interest and Sinking Fund, at a redemption price equal to the par or principal amount thereof and accrued interest to the date of redemption, on the dates, and in the principal amounts, respectively, as set forth in the following schedule:

<u>Redemption Dates</u>	<u>Principal Amounts</u>
AUGUST 15, 2000	\$6,215,000
AUGUST 15, 2001	\$6,730,000

The principal amount of the Bonds required to be redeemed on each such redemption date pursuant to the foregoing operation of the mandatory sinking fund shall be reduced, at the option of the Issuer, by the principal amount of any Bonds scheduled to mature on August 15, 2002, which, at least 45 days prior to the mandatory sinking fund redemption date, (1) shall have been acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, or (2) shall have been acquired and cancelled by the Paying Agent/Registrar at the direction of the Issuer, with funds from the Interest and Sinking Fund, in either case of (1) or (2) at a price not exceeding the par or principal amount of such Bonds or (3) have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory sinking fund redemption.

AT LEAST 30 days prior to the date fixed for any redemption of Bonds or portions thereof prior to maturity a written notice of such redemption shall be published once in a financial publication, journal, or report of general circulation among securities dealers in The City of New York, New York (including, but not limited to, The Bond Buyer and The Wall Street

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

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

THIS BOND is one of an issue of Bonds initially dated JUNE 1, 1986, authorized in the principal amount of \$85,365,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND GENERAL TUITION REVENUE BONDS AND GENERAL TUITION REVENUE REFUNDING BONDS OF

THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$106,005,000.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY AUTHORIZED DENOMINATION may be assigned and shall be transferred only in the Registration Books of the Issuer kept by the Paying Agent/Registrar acting in the capacity of registrar for the Bonds, upon the terms and conditions set forth in the Bond Resolution. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be transferred and registered. The form of Assignment printed or endorsed on this Bond shall be executed by the registered owner or its duly authorized attorney or representative, to evidence the assignment hereof. A new Bond or Bonds payable to such assignee or assignees (which then will be the new registered owner or owners of such new Bond or Bonds), or to the previous registered owner in the case of the assignment and transfer of only a portion of this Bond, may be delivered by the Paying Agent/Registrar in conversion of and exchange for this Bond, all in the form and manner as provided in the next paragraph hereof for the conversion and exchange of other Bonds. The Issuer shall pay the Paying Agent/Registrar's fees and charges, if any, for making such transfer, but the one requesting such transfer shall pay any taxes or other governmental charges required to be paid with respect thereto. The Paying Agent/Registrar shall not be required to make transfers of registration of this Bond or any portion hereof (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date. The registered owner of this Bond shall be deemed and treated by the Issuer and the Paying Agent/Registrar as the absolute owner hereof for all purposes, including payment and discharge of liability upon this Bond to the extent of such payment, and, to the extent permitted by law, the Issuer and the Paying Agent/Registrar shall not be affected by any notice to the contrary.

ALL BONDS OF THIS SERIES are issuable solely as fully registered bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Resolution, this Bond, or any unredeemed portion hereof, may, at the request of the registered owner or the assignee or assignees hereof, be converted into and exchanged for a like

aggregate principal amount of fully registered bonds, without interest coupons, payable to the appropriate registered owner, assignee, or assignees, as the case may be, having the same maturity date, in the same form, and bearing interest at the same rate, in any authorized denomination as requested in writing by the appropriate registered owner, assignee, or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Resolution. The Issuer shall pay the Paying Agent/Registrar's standard or customary fees and charges for transferring, converting, and exchanging any Bond or any portion thereof, but the one requesting such transfer, conversion, and exchange shall pay any taxes or governmental charges required to be paid with respect thereto as a condition precedent to the exercise of such privilege of conversion and exchange. The Paying Agent/Registrar shall not be required to make any such conversion and exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or, (ii) with respect to any Bond or portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

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

IT IS HEREBY certified, recited, and covenanted that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance, and delivery of this Bond have been performed, existed, and been done in accordance with law; and that the interest on and principal of this Bond, and other Bonds of this Series, are equally and ratably secured by and payable from a first lien on and pledge of the "Pledged Revenues" as defined in the Bond Resolution, which include (i) certain Pledged General Tuition, being certain tuition charges imposed on students enrolled at each and every institution, branch, and school now or hereafter operated by or under the jurisdiction of the Issuer, and (ii) certain investment income.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue additional parity revenue bonds which also may be secured by and made payable from a first lien on and pledge of the aforesaid Pledged Revenues, in the same manner and to the same extent as this Bond, and (ii) to amend the Bond Resolution with the

approval of the owners of 51% in Outstanding Principal Amount, as defined in the Bond Resolution, of all outstanding bonds which are secured by and payable from a first lien on and pledge of the aforesaid Pledged Revenues.

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

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

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

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

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

(BOARD SEAL)

FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

It is hereby certified that this Bond has been issued under the provisions of the Bond Resolution described in this Bond; and that this Bond has been issued in conversion of and exchange for or replacement of a bond, bonds, or a portion of a bond or bonds of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

MBANK DALLAS, NATIONAL ASSOCIATION,
Paying Agent/Registrar

Dated

Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

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

(Assignee's Social Security or Taxpayer Identification Number) (print or typewrite Assignee's name and address, including zip code)

_____ and hereby irrevocably constitutes and appoints

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

Dated: _____

Signature Guaranteed:

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

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

Section 7. SECURITY AND PLEDGE. The Bonds and any Additional Bonds, and the interest thereon, are and shall be secured by and payable from a first lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Interest and Sinking Fund and the Reserve Fund as provided in this Resolution.

Section 8. REVENUE FUND. There is hereby created and there shall be established on the books of the Board a separate account or accounts which individually or collectively shall be known as the "General Tuition Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Subject to the provisions of Section 11, all collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

Section 9. INTEREST AND SINKING FUND. To pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, there is hereby created and

there shall be established on the books of the Board a separate account to be entitled the "General Tuition Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

Section 10. RESERVE FUND. There is hereby created and there shall be established on the books of the Board a separate account to be entitled the "General Tuition Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose.

Section 11. INVESTMENTS. (a) Money in any account or Fund established pursuant to this Resolution may, at the option of the Board, be placed in time deposits secured by Investment Securities, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such account or Fund will be available at the proper time or times. For all purposes of this Resolution, such investments shall be valued at their market value as of thirty days prior to the end of each fiscal year. Interest and income derived from such deposits and investments shall be credited to the account or Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such account or Fund is required or permitted to be used. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. Money in any Fund may be invested, together with money in other Funds or with other money of the Board or The University of Texas System, in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository of The University of Texas System, which shall not be deemed to be or constitute a commingling of such money or Funds provided that the separate accounts maintained on the books of The University of Texas System, for such Funds clearly evidence the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or held by or on behalf of each such Fund.

(b) Money in all accounts and Funds created by this Resolution, to the extent not invested, shall be secured in the manner prescribed by law for such funds of the Board, in principal amounts at all times not less than the amounts of money credited to such accounts and Funds, respectively.

Section 12. INTEREST AND SINKING FUND DEPOSITS. (a) Immediately after the delivery of the Initial Bond the Board

shall deposit all accrued interest received from the sale and delivery of the Initial Bond, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(i) on or before October 15, 1986, and semiannually on or before each March 1 and October 15 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(ii) on or before March 1, 1987, and annually on or before each March 1 thereafter, an amount equal to the principal of the Bonds scheduled to mature or mandatorily required to be redeemed prior to maturity on the next succeeding August 15.

(c) In the event that the amounts on deposit in the Interest and Sinking Fund on any February 1 or August 1 and available to pay interest on and principal of the Bonds on the following February 15 or August 15, as the case may be, are insufficient for such purpose, the Board promptly shall notify the Paying Agent/Registrar and the Association of the amount of such deficiency; provided that prior to providing such deficiency notice, the Board first shall have transferred all cash from the Reserve Fund to the Interest and Sinking Fund in order to eliminate or reduce such deficiency. Immediately upon receiving such deficiency notice from the Board, the Paying Agent/Registrar shall deliver a Demand for Payment to the Association in the amount of such deficiency, to the extent of the Surety Bond Coverage available at the time, in order to effect payment in full of interest on and principal of the Bonds owing on said February 15 or August 15; provided, that in the event that the Paying Agent/Registrar is then holding other surety bond(s), in addition to the Surety Bond, as a part of the Reserve Fund, demand for payment to satisfy the deficiency shall be made on the Surety Bond and such other surety bonds to the extent practicable on a pro rata basis.

Section 13. RESERVE FUND DEPOSITS. Immediately after the delivery of the Initial Bond the Board shall deposit to the credit of the Reserve Fund an amount equal to the Required Amount, as hereinafter defined. The deposit of the Required

Amount may be made from any one or more of the following sources or in the following forms: (i) proceeds from the sale of the Initial Bond, (ii) any other funds available to the Board; or (iii) amounts represented by the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar and deemed to be on deposit in the Reserve Fund. So long as the money and investments credited to the Reserve Fund are not less than an amount equal to the lesser of (1) the principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds during the fiscal year in which such requirements are scheduled to be the greatest, or (2) the average annual principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds (the "Required Amount"), no deposits shall be credited to the Reserve Fund. For purposes of calculating, from time to time, the amount on deposit in the Reserve Fund, an amount equal to the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar shall be deemed to be on deposit in the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Amount, then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund and except as provided below, the Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before each March 1 and October 15 thereafter, a sum at least equal to 1/10th of the Required Amount until the Reserve Fund is restored to the Required Amount; provided, however, that at any time when the Surety Bond Coverage is less than the Surety Bond Limit, prior to making any deposits to the credit of the Reserve Fund, the Board shall apply the Pledged Revenues in reimbursement of amounts owed the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. So long as the Reserve Fund contains the Required Amount, any surplus in the Reserve Fund over the Required Amount shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 14. ADDITIONAL AND EXCESS FUNDS. (a) If on any occasion there shall not be Pledged Revenues sufficient to make the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Immediately following each required deposit from the Revenue Fund to the credit of the Interest and Sinking Fund and the Reserve Fund, as required by this Resolution, or any resolution authorizing the issuance of Additional Bonds, all remaining surplus Pledged Revenues then on deposit to the credit of the Revenue Fund shall first be applied to pay any amounts owed under the Financial Guaranty Agreement and thereafter be

transferred and commingled with the Board's general funds and used for any lawful purpose. It is specifically covenanted and agreed, however, that none of the Pledged Revenues in the Revenue Fund (including especially the Pledged General Tuition) will be released from the control of the Board, deposited into the State Treasury of the State of Texas, or otherwise expended or disposed of, until after each such required deposit from the Revenue Fund has been made to the credit of the Interest and Sinking Fund and the Reserve Fund.

Section 15. PAYMENT OF BONDS. On or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such February 15 or August 15. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of destruction.

Section 16. CESSATION OF DEPOSITS. At such time as the aggregate amount of money and investments on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund (excluding any amounts attributable to the Surety Bond or any additional surety bonds delivered pursuant to Section 18) are at least sufficient to pay (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest on such Bonds and Additional Bonds, no further deposits need be made into the Interest and Sinking Fund or Reserve Fund. In determining the amount of such Bonds and Additional Bonds, and interest thereon, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and Additional Bonds, and interest thereon, which shall have been duly called for redemption and for which funds shall have been deposited with the Paying Agent/Registrar therefor sufficient, including any required redemption premium, for such redemption.

Section 17. SPECIAL OBLIGATIONS. The Bonds and any Additional Bonds, and the interest thereon, will constitute special obligations of the Board payable from the Pledged Revenues, and the owners of the Bonds and Additional Bonds shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in this Resolution.

Section 18. ADDITIONAL BONDS. The Board reserves and shall have the right and power to issue, in one or more series, "Additional Bonds" for any purpose authorized by law, including

the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a first lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by this Section, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required, by the provisions of this Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds, to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Amount and that the required additional amount shall be so accumulated by the deposit to the credit of the Reserve Fund of all or any part of said required additional amount in the form of cash and/or a surety bond, issued by an issuer having a long-term debt rating at least equal to the rating of the Association's long-term debt, with coverage in an amount that, together with any cash so deposited, is at least equal to said required additional amount. Such required additional amount shall be deposited immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before March 1 and October 15 following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/10th of said required additional amount (or 1/10th of the balance of said required additional amount not deposited in cash as permitted above).

Section 19. REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless:

(a) The senior financial officer of The University of Texas System signs a written certificate to the effect that the Board is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional

Bonds, or any resolution authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein.

(b) The State Auditor of the State of Texas, or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year of The University of Texas System, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which are scheduled to be outstanding after the issuance of the proposed Additional Bonds.

Section 20. COVENANTS. The Board further covenants and agrees that:

(a) It will fix, impose, charge, and collect all Pledged General Tuition; and will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Bond and Additional Bond, on the dates and in the places and in the manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund; and any owner of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State of Texas, to carry out, respect, or enforce the covenants and obligations of this Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State of Texas.

(b) It is duly authorized under the laws of the State of Texas to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Board in accordance with their terms.

(c) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities now constituting

The University of Texas System, it warrants that it has, and will defend, the title to all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the campuses, buildings, and facilities of The University of Texas System, it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) It will continuously and efficiently operate and maintain in good condition, and at a reasonable cost, The University of Texas System and the facilities and services thereof, so long as any Bonds or Additional Bonds are outstanding.

(f) While the Bonds or any Additional Bonds are outstanding and unpaid, the Board shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Resolution.

(g) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Pledged Revenues, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(h) Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Pledged Revenues by the State Auditor of

the State of Texas, or any certified public accountant, such audit to be based on the fiscal year of The University of Texas System. As soon as practicable after the close of each such fiscal year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding fiscal year shall be mailed to each owner of any Bond or Additional Bond who shall so request in writing. Such annual audit reports shall be open to the inspection of the owners of the Bonds and Additional Bonds and their agents and representatives at all reasonable times.

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

Section 21. 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 University of Texas System and the Board to the full extent authorized or permitted by the Constitution and laws of the State of Texas. No covenant, stipulation, obligation, or agreement herein contained shall be deemed to be a covenant, stipulation, obligation, or agreement of any member of the Board or agent or employee of the Board in his individual capacity and neither the members of the Board nor any officer thereof shall be liable personally on the Bonds or Additional Bonds when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 22. REMEDIES. Any owner or holder of any of the Bonds or Additional Bonds 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.

Section 23. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsection

(d) of this Section, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption), or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Government Obligations which mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the Board with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for any purposes other than payment, transfer and exchange.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the Board also be invested in Government Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from such Government Obligations received by the Paying Agent/Registrar which 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) The term "Government Obligations" as used in this Section, shall mean direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, which may be United States Treasury obligations such as its State and Local Government Series, which may be in book-entry form.

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

Section 24. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS. (a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount or maturity amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the applicant for a replacement bond shall furnish to the Issuer and to the Paying Agent/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 Issuer and to the Paying Agent/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 Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

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

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/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 Issuer 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) Authority for Issuing Replacement Bonds. In accordance with Section 6 of Vernon's Ann. Tex. Civ. St. Art. 717k-6, this Section of this Resolution shall constitute authority for the issuance of any such replacement bond without necessity of further action by the Issuer or any other body or person, and the duty of the replacement of such Bonds is hereby

authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 5(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 25. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Bonds aggregating 51% in Outstanding Principal Amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to:

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

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

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

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

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

(f) For the purpose of this Section the ownership and other matters relating to all Bonds and Additional Bonds shall be determined from the registration books kept for such bonds by the Paying Agent/Registrar therefor.

Notwithstanding any provisions set forth above, until the termination of the Financial Guaranty Agreement this resolution will not be amended without the written consent of the Association.

Section 26. TAX EXEMPTION. (a) The Board certifies that based upon all facts and estimates now known or reasonably expected to be in existence on the date the Initial Bond is delivered and paid for, the Board reasonably expects that the proceeds of the Bonds will not be used in a manner that would

cause the Bonds or any portion of the Bonds to be an "arbitrage bond" under Section 103(c)(2) of the Internal Revenue Code of 1954, as amended to the date of delivery and payment of the Initial Bond (or under Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838 as passed by the United States House of Representatives on December 17, 1985) (the "Code"), and the regulations prescribed thereunder. Furthermore, all officers, employees and agents of the Board are authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the Board as of the date the Initial Bond is delivered and paid for. In particular, all or any officers, agents, and employees of the Board are authorized to certify for the Board the facts and circumstances and reasonable expectations of the Board on the date the Initial Bond is delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the Board covenants that it will make such use of the proceeds of the Bonds, regulate investments of proceeds of the Bonds and take such other and further actions and follow such procedures, including, without limitation, the method of calculating yield on the Bonds, as may be required so that the Bonds will not be "arbitrage bonds" under the Code, and the regulations prescribed from time to time thereunder.

(b) The Issuer will not take any other action or fail to take any other action within its powers that would cause the interest on the Bonds to be includable in gross income within the meaning of Section 103(a) of the Code, and the regulations prescribed from time to time thereunder.

Section 28. CUSTODY, APPROVAL, AND REGISTRATION OF INITIAL BOND; BOND COUNSEL'S OPINION, AND CUSIP NUMBERS. The Chairman of the Issuer is hereby authorized to have control of the Initial Bond issued hereunder and all necessary records and proceedings pertaining to the Initial Bond pending its delivery and investigation, examination, and approval by the Attorney General of the State of Texas, and its registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Initial Bond said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate on the Initial Bond, and the seal of said Comptroller shall be impressed, or placed in facsimile, on the Initial Bond. The approving legal opinion of the Issuer's Bond Counsel and the assigned CUSIP numbers may, at the option of the Issuer, be printed on the Initial Bond or on any Bond issued and delivered in conversion of and exchange or replacement of any Bond, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bond.

Section 28. SALE OF INITIAL BOND. The Initial Bond is hereby sold and shall be delivered to Morgan Guaranty Trust Company of New York, New York, New York, and Associates, in accordance with law and pursuant to a Bond Purchase Contract in form and substance submitted at this meeting, and dated June 5, 1986. The Chairman of the Issuer is hereby authorized and directed to execute said Bond Purchase Contract on behalf of the Issuer. It is hereby found and determined by the Board that the price and terms for the sale of the Initial Bond as set forth in said Bond Purchase Contract are the most advantageous reasonably obtainable.

Section 29. OFFICIAL STATEMENT. An Official Statement dated the date of this meeting has been prepared in connection with the sale of the Initial Bond and the Bonds, in the form and substance submitted at this meeting. Said Official Statement and any supplement or addenda thereto have been and are hereby approved, and their use in the offer and sale of the Bonds is hereby approved. It is further officially found, determined, and declared that the statements and representations contained in said Official Statement are true and correct in all material respects, to the best knowledge and belief of the Issuer. The distribution and use of the Preliminary Official Statement dated May 2, 1986, as amended as of May 27, 1986, prior to the date hereof is hereby ratified and confirmed.

Section 30. REFUNDING OF OUTSTANDING BONDS. That concurrently with the delivery of the Initial Bond the Issuer shall deposit with MBank Houston, National Association, as Escrow Agent, an amount from the proceeds from the sale of the Initial Bond sufficient, together with other available amounts, to refund all of the Outstanding Bonds of the Board of Regents of the University of Texas System described in the preamble to this Resolution, and in accordance with Section 7A of Vernon's Ann. Tex. St. Article 717k, as amended, and the applicable sections of Vernon's Ann. Tex. Civ. St. Article 717q. By resolution of the Issuer of even date herewith the Issuer has authorized the execution of an appropriate Escrow Agreement to accomplish such purpose. It is hereby found and determined (i) that the refunding of such outstanding bonds is advisable and necessary in order to restructure the debt service requirements of the Issuer, to broaden permitted investments and to release certain security previously pledged to the bonds being refunded; and (ii) that the debt service requirements on the Bonds on an actual basis will be less than those on the aforesaid Outstanding Bonds.

Section 31. PAYING AGENT AGREEMENT. The Issuer hereby appoints MBank Dallas, National Association, Dallas, Texas as Paying Agent/Registrar for the Bonds authorized hereby. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management or the

Manager of Debt Administration of the University of Texas System are hereby authorized to execute and deliver on behalf of the Issuer a Paying Agent Agreement, dated as of the date of delivery of the Initial Bond in substantially the form and substance submitted at this meeting, between the Issuer and MBank Dallas, National Association.

Section 32. FINANCIAL GUARANTY AGREEMENT. The Executive Vice Chancellor for Asset Management is hereby authorized and directed to execute and deliver the Financial Guaranty Agreement in substantially the form attached hereto as Exhibit A with such changes therein as are approved by the Vice Chancellor and General Counsel.

Section 33. ESCROW AGREEMENT. That the Executive Vice Chancellor for Asset Management and Executive Secretary of the Issuer are authorized and directed, for and on behalf of the Issuer, to sign, seal, and otherwise execute and deliver an escrow agreement in substantially the form and substance attached to this Resolution and made a part hereof for all purposes, with the exhibits thereto to contain information concerning the escrow created under the Escrow Agreement that reflects financial results substantially similar to the report submitted at this meeting by Morgan Guaranty Trust Company of New York. That, upon its execution and delivery by the parties thereto, said escrow agreement shall constitute a binding and enforceable agreement of the Issuer in accordance with its terms and provisions. The Executive Vice Chancellor for Asset Management is authorized hereby to take such steps as may be necessary to purchase the Escrowed Securities, as defined in the Escrow Agreement, on behalf of the Issuer and otherwise to create and fund the escrow fund contemplated by the Escrow Agreement.

Section 34. FURTHER PROCEDURES. The Chairman of the Issuer, the Executive Secretary of the Issuer, the Executive Vice Chancellor for Asset Management and the Manager of Debt Administration of The University of Texas System, and all other officers, employees, and agents of the Issuer, 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 Issuer 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 Bond Purchase Contract, the Official Statement, the Financial Guaranty Agreement, the Paying Agent Agreement and the Escrow Agreement. 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.

ESCROW AGREEMENT

Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, Series 1972, and Series 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978

THIS ESCROW AGREEMENT, dated as of June 1, 1986 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM (herein called the "Issuer") and MBANK HOUSTON, NATIONAL ASSOCIATION, HOUSTON, TEXAS, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

W I T N E S S E T H:

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

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

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

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

WHEREAS, Article 717k further authorizes the Issuer to enter into an escrow agreement with any such paying agent for any of the Refunded Obligations with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested only in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be in book entry form, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payments of principal and interest on the Refunded Obligations when due; and

WHEREAS, the Escrow Agent is a place of payment (paying agent) for some of the Refunded Obligations and this Agreement constitutes an escrow agreement of the kind authorized and required by said Article 717k; and

WHEREAS, Article 717k makes it the duty of the Escrow Agent to comply with the terms of this Agreement and to timely make available to the other places of payment (paying agents) for the Refunded Obligations the amounts required to provide for the payment of the principal of and interest on such obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the issuance, sale, and delivery of Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986 (the "Refunding Obligations") have been duly authorized to be issued, sold, and delivered for the purpose of obtaining funds required to provide for the payment of the principal of and interest on the Refunded Obligations when due; and

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

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

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

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

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which are acknowledged hereby, and to secure the full and timely payment of the principal of and the interest on the Refunded Obligations, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

"Code" means the Internal Revenue Code of 1954, as amended, and the rules and regulations thereunder.

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

"Escrowed Securities" means the noncallable United States Treasury obligations described in Exhibit D attached to this Agreement, or cash or other direct obligations of

the United States of America substituted therefor pursuant to Section 4.03 of this Agreement.

"Paying Agents" means the entities acting as Paying Agent/Registrar for any of the Refunded Obligations, including: the Escrow Agent, acting in its capacity as Paying Agent/Registrar for the Series 1978 Refunded Obligations; the Other Paying Agents, as defined in Section 7.03; and any other place of payment (paying agent or co-paying agent) for the Refunded Obligations, including any agent of any of the foregoing that exercises the powers or performs the duties of any such paying agent on its behalf in connection with any of the Refunded Obligations.

Section 1.02. Other Definitions. The terms "Agreement," "Issuer," "Escrow Agent," "Refunded Obligations," and "Refunding Obligations," when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement. The terms defined in Exhibit B to this Agreement, when used in this Agreement, shall have the meanings assigned to them in such Exhibit B.

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

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

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

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971, 1972, and 1972-A, and General Tuition Revenue Refunding Bonds, Series 1978 Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in Exhibit D attached hereto. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent thereupon shall be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer, from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of and interest on the Refunded Obligations, when due, in the amounts and at the times shown in Exhibit C attached hereto.

The Escrow Agent shall be obligated to make available to the Paying Agents amounts from the Escrow Fund sufficient to pay when due the principal of and interest on any Refunded Obligations presented to the Paying Agents for payment.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be sufficient at all times to provide moneys for transfer to the Paying Agents at the times and in the amounts required to pay the interest on the Refunded

Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in Exhibit E attached hereto.

Section 3.04. Trust Fund. The Escrow Agent at all times shall hold the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund always shall be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall be maintained at all times on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly provided herein, by the Paying Agents.

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

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Except for the initial investment of the proceeds of the Refunding Obligations in the Escrowed Securities, and except as provided in Sections 4.02 and 4.03 hereof, the Escrow Agent shall not have any power or duty to

invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

Section 4.02. Cash Balances in Escrow. In addition to the Escrowed Securities listed in Exhibit D hereto, the Escrow Agent shall hold for the credit of the Escrow Fund any cash balances deposited therein, including the cash balances shown in Exhibit F attached hereto representing payment of the principal of and interest on certain Escrowed Securities at maturity. The Escrow Agent shall either reinvest such cash balances, or hold such balances in cash, uninvested, as directed from time to time in writing by the Issuer in a letter of instructions signed on behalf of the Issuer by an authorized financial officer of The University of Texas System.

Section 4.03. Substitution for Escrowed Securities. Concurrently with the sale and delivery of the Refunding Obligations, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing direct obligations of the United States Treasury (i.e., Treasury obligations that mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Escrowed Securities, if any, listed in part ___ of Exhibit D attached hereto, but only if such cash and/or substituted non-interest bearing direct obligations of the United States Treasury -

- (a) are in an amount, and/or mature in an amount, that, together with any cash substituted for such obligations, is equal to or greater than the amount payable on the maturity date of the obligation listed in part ___ of Exhibit D for which such obligation is substituted, and
- (b) mature on or before the maturity date of the obligation listed in part ___ of Exhibit D for which such obligation is substituted.

If any such cash and/or obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such cash and/or obligations the same Escrowed Securities for which such cash and/or obligations originally were substituted.

Section 4.04. Allocation of Certain Escrowed Securities. Except as provided in this Section 4.04, the maturing principal of and interest on the Escrowed Securities may be applied to the payment of any Refunded Obligations and no allocation or segregation of the receipts of principal or interest from such Escrowed Securities is required. The maturing principal of and interest on the Escrowed Securities listed in Exhibit G hereto shall be allocated and applied only to pay the Refunded Obligations listed on Exhibit G hereto.

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

ARTICLE V

APPLICATION OF CASH BALANCES

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

ARTICLE VI

RECORDS AND REPORTS

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

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent annually shall prepare and send

to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall not have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

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

The Escrow Agent makes no representations regarding the value, conditions or sufficiency of the Escrow Fund, or any

part thereof, or the title of the Issuer thereto, or as to the security afforded thereby or hereby. The Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

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

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

Unless it is specifically provided otherwise herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Issuer or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Issuer at any time.

Section 7.03. Compensation; Other Paying Agents.

(a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all

expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$54,046.00, the sufficiency of which, for such purposes, is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

(b) The Escrow Agent agrees that the sums it has received from the Issuer to the date hereof in payment for its services as Paying Agent/Registrar for the Series 1978 Refunded Obligations are sufficient for, and are accepted by the Escrow Agent in full payment of, all future paying agency, registration and transfer agent services to be performed in connection with the Series 1978 Refunded Obligations by the Escrow Agent, acting in its capacity as Paying Agent/Registrar for the Series 1978 Refunded Obligations, or by any other Paying Agent/Registrar or Co-Paying Agent/Registrar for the Series 1978 Refunded Obligations. The Escrow Agent shall be obligated to pay all charges of the Paying Agents for the Series 1978 Refunded Obligations for their paying agency services.

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

(d) In addition to the Escrow Agent, the following also are places of payment (paying agents) for the Refunded Obligations:

RepublicBank Dallas, N.A., Dallas, Texas (for the Series 1971 and Series 1972 Refunded Obligations) ("RepublicBank");

Texas Commerce Bank, National Association, Austin,
Texas; (for the Series 1972A Refunded Obligations)
("Texas Commerce Bank")

(collectively, the "Other Paying Agents"). Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall pay to the Other Paying Agents the following sums for all future paying agency services of the Other Paying Agents:

RepublicBank	\$24,203.18
Texas Commerce Bank	\$ 5,532.06

The Issuer warrants that it has received from the Other Paying Agents approval of the arrangements herein made and written acknowledgement that the respective sums paid to the Other Paying Agents have been accepted in payment of all future paying agency, registration, and transfer agent services of the Other Paying Agents in connection with the Refunded Obligations.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation or an association organized and doing business under the laws of the United States of America or the State of Texas, authorized under such laws to exercise corporate trust powers, having its principal office and place of business in the State of Texas, having a combined capital and surplus of at least \$5,000,000 and subject to the supervision or examination by federal or State authority.

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

ARTICLE VIII

MISCELLANEOUS

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

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

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

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

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

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

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

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
M.E. Patrick
Executive Vice Chancellor
for Asset Management

MBANK HOUSTON, NATIONAL ASSOCIATION
HOUSTON, TEXAS

By _____
Title:

ATTEST:

Title:

(CORPORATE SEAL)

EXHIBIT A

Issuer: The Board of Regents
 The University of Texas System
 210 West 6th Street
 Austin, Texas 78701
 Attention: Manager of Debt Administration

Escrow Agent: MBank Houston, National Association
 P.O. Box 3285
 Houston, Texas 77253
 Attention: Corporate Trust Department

EXHIBIT B
REFUNDED OBLIGATIONS

<u>Bond Issue</u>	<u>Principal Amount Outstanding</u>
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971 (the "Series 1971 Obligations")	\$ 34,735,000
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972 (the "Series 1972 Refunded Obligations")	\$ 36,495,000
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A (the "Series 1972-A Refunded Obligations")	\$ 12,630,000
Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978 (the "Series 1978 Refunded Obligations")	\$ 22,145,000
TOTAL OUTSTANDING	<hr/> \$ 106,005,000

EXHIBIT C
SCHEDULE OF DEBT SERVICE ON REFUNDED OBLIGATIONS

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS, SERIES 1971

PAYMENT DATE	BOND INTEREST RATE	PRINCIPAL AMOUNT DUE	INTEREST DUE	TOTAL AMOUNT DUE
-----	-----	-----	-----	-----
10/01/86		.00	\$ 939,138.75	\$ 939,138.75
04/01/87	5.25%	\$ 1,410,000.00	939,138.75	2,349,138.75
10/01/87		.00	902,126.25	902,126.25
04/01/88	5.25%	1,485,000.00	902,126.25	2,387,126.25
10/01/88		.00	863,145.00	863,145.00
04/01/89	5.25%	1,570,000.00	863,145.00	2,433,145.00
10/01/89		.00	821,932.50	821,932.50
04/01/90	5.40%	1,655,000.00	821,932.50	2,476,932.50
10/01/90		.00	777,247.50	777,247.50
04/01/91	5.40%	1,745,000.00	777,247.50	2,522,247.50
10/01/91		.00	730,132.50	730,132.50
04/01/92	5.40%	1,840,000.00	730,132.50	2,570,132.50
10/01/92		.00	680,452.50	680,452.50
04/01/93	5.50%	1,945,000.00	680,452.50	2,625,452.50
10/01/93		.00	626,965.00	626,965.00
04/01/94	5.50%	2,050,000.00	626,965.00	2,676,965.00
10/01/94		.00	570,590.00	570,590.00
04/01/95	5.60%	2,165,000.00	570,590.00	2,735,590.00
10/01/95		.00	509,970.00	509,970.00
04/01/96	5.60%	2,280,000.00	509,970.00	2,789,970.00
10/01/96		.00	446,130.00	446,130.00
04/01/97	5.60%	2,410,000.00	446,130.00	2,856,130.00
10/01/97		.00	378,650.00	378,650.00
04/01/98	5.60%	2,540,000.00	378,650.00	2,918,650.00
10/01/98		.00	307,530.00	307,530.00
04/01/99	5.60%	2,680,000.00	307,530.00	2,987,530.00
10/01/99		.00	232,490.00	232,490.00
04/01/00	5.60%	2,830,000.00	232,490.00	3,062,490.00
10/01/00		.00	153,250.00	153,250.00
04/01/01	5.00%	2,985,000.00	153,250.00	3,138,250.00
10/01/01		.00	78,625.00	78,625.00
04/01/02	5.00%	3,145,000.00	78,625.00	3,223,625.00
		<u>\$34,735,000.00</u>	<u>\$18,036,750.00</u>	<u>\$52,771,750.00</u>

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS, SERIES 1972

PAYMENT DATE	BOND INTEREST RATE	PRINCIPAL AMOUNT DUE	INTEREST DUE	TOTAL AMOUNT DUE
-----	-----	-----	-----	-----
10/01/86		.00	\$ 937,422.50	\$ 937,422.50
04/01/87	5.25%	\$ 1,480,000.00	937,422.50	2,417,422.50
10/01/87		.00	898,572.50	898,572.50
04/01/88	5.25%	1,560,000.00	898,572.50	2,458,572.50
10/01/88		.00	857,622.50	857,622.50
04/01/89	5.25%	1,650,000.00	857,622.50	2,507,622.50
10/01/89		.00	814,310.00	814,310.00
04/01/90	5.25%	1,740,000.00	814,310.00	2,554,310.00
10/01/90		.00	768,635.00	768,635.00
04/01/91	5.25%	1,835,000.00	768,635.00	2,603,635.00
10/01/91		.00	720,466.25	720,466.25
04/01/92	5.25%	1,935,000.00	720,466.25	2,655,466.25
10/01/92		.00	669,672.50	669,672.50
04/01/93	5.25%	2,040,000.00	669,672.50	2,709,672.50
10/01/93		.00	616,122.50	616,122.50
04/01/94	5.30%	2,155,000.00	616,122.50	2,771,122.50
10/01/94		.00	559,015.00	559,015.00
04/01/95	5.30%	2,275,000.00	559,015.00	2,834,015.00
10/01/95		.00	498,727.50	498,727.50
04/01/96	5.30%	2,400,000.00	498,727.50	2,898,727.50
10/01/96		.00	435,127.50	435,127.50
04/01/97	5.30%	2,530,000.00	435,127.50	2,965,127.50
10/01/97		.00	368,082.50	368,082.50
04/01/98	5.40%	2,670,000.00	368,082.50	3,038,082.50
10/01/98		.00	295,992.50	295,992.50
04/01/99	5.40%	2,815,000.00	295,992.50	3,110,992.50
10/01/99		.00	219,987.50	219,987.50
04/01/00	4.50%	2,970,000.00	219,987.50	3,189,987.50
10/01/00		.00	153,162.50	153,162.50
04/01/01	4.50%	3,135,000.00	153,162.50	3,288,162.50
10/01/01		.00	82,625.00	82,625.00
04/01/02	5.00%	3,305,000.00	82,625.00	3,387,625.00
		<u>\$36,495,000.00</u>	<u>\$17,791,087.50</u>	<u>\$54,286,087.50</u>

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS, SERIES 1972-A

PAYMENT DATE	BOND INTEREST RATE	PRINCIPAL AMOUNT DUE	INTEREST DUE	TOTAL AMOUNT DUE
-----	-----	-----	-----	-----
10/01/86		.00	\$ 306,816.25	\$ 306,816.25
04/01/87	5.25%	\$ 555,000.00	306,816.25	861,816.25
10/01/87		.00	292,247.50	292,247.50
04/01/88	4.80%	580,000.00	292,247.50	872,247.50
10/01/88		.00	278,327.50	278,327.50
04/01/89	4.80%	595,000.00	278,327.50	873,327.50
10/01/89		.00	264,047.50	264,047.50
04/01/90	4.90%	625,000.00	264,047.50	889,047.50
10/01/90		.00	248,735.00	248,735.00
04/01/91	4.90%	655,000.00	248,735.00	903,735.00
10/01/91		.00	232,687.50	232,687.50
04/01/92	5.00%	685,000.00	232,687.50	917,687.50
10/01/92		.00	215,562.50	215,562.50
04/01/93	5.00%	715,000.00	215,562.50	930,562.50
10/01/93		.00	197,687.50	197,687.50
04/01/94	5.00%	745,000.00	197,687.50	942,687.50
10/01/94		.00	179,062.50	179,062.50
04/01/95	5.00%	780,000.00	179,062.50	959,062.50
10/01/95		.00	159,562.50	159,562.50
04/01/96	5.00%	825,000.00	159,562.50	984,562.50
10/01/96		.00	138,937.50	138,937.50
04/01/97	5.00%	865,000.00	138,937.50	1,003,937.50
10/01/97		.00	117,312.50	117,312.50
04/01/98	5.00%	915,000.00	117,312.50	1,032,312.50
10/01/98		.00	94,437.50	94,437.50
04/01/99	5.00%	965,000.00	94,437.50	1,059,437.50
10/01/99		.00	70,312.50	70,312.50
04/01/00	4.50%	1,015,000.00	70,312.50	1,085,312.50
10/01/00		.00	47,475.00	47,475.00
04/01/01	4.50%	1,045,000.00	47,475.00	1,092,475.00
10/01/01		.00	23,962.50	23,962.50
04/01/02	4.50%	1,065,000.00	23,962.50	1,088,962.50
		<u>\$12,630,000.00</u>	<u>\$5,734,347.50</u>	<u>\$18,364,347.50</u>

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1978

<u>PAYMENT DATE</u>	<u>BOND INTEREST RATE</u>	<u>PRINCIPAL AMOUNT DUE</u>	<u>INTEREST DUE</u>	<u>TOTAL AMOUNT DUE</u>
10/01/86		.00	\$ 606,188.75	\$ 606,188.75
04/01/87	5.10%	\$ 1,985,000.00	606,188.75	2,591,188.75
10/01/87		.00	555,571.25	555,571.25
04/01/88	5.10%	2,065,000.00	555,571.25	2,620,571.25
10/01/88		.00	502,913.75	502,913.75
04/01/89	5.25%	2,170,000.00	502,913.75	2,672,913.75
10/01/89		.00	445,951.25	445,951.25
04/01/90	5.30%	2,285,000.00	445,951.25	2,730,951.25
10/01/90		.00	385,398.75	385,398.75
04/01/91	5.40%	2,415,000.00	385,398.75	2,800,398.75
10/01/91		.00	320,193.75	320,193.75
04/01/92	5.50%	2,400,000.00	320,193.75	2,720,193.75
10/01/92		.00	254,193.75	254,193.75
04/01/93	5.60%	2,400,000.00	254,193.75	2,654,193.75
10/01/93		.00	186,993.75	186,993.75
04/01/94	5.75%	2,395,000.00	186,993.75	2,581,993.75
10/01/94		.00	118,137.50	118,137.50
04/01/95	5.80%	2,340,000.00	118,137.50	2,458,137.50
10/01/95		.00	50,277.50	50,277.50
04/01/96	5.95%	1,690,000.00	50,277.50	1,740,277.50
		<u>\$22,145,000.00</u>	<u>\$6,851,640.00</u>	<u>\$28,996,640.00</u>

EXHIBIT D
DEPOSITS TO ESCROW FUND

EXHIBIT E
ESCROW FUND CASH FLOW

EXHIBIT F
CASH BALANCES

EXHIBIT G
ALLOCATION OF CERTAIN ESCROWED SECURITIES

The maturing principal of and interest on the Escrowed Securities listed below shall be allocated and applied only to pay the Refunded Obligations listed above such Escrowed Securities.

Allocated to General Tuition Revenue Bonds, Series 1971,
Series 1972 and Series 1973

PRINCIPAL AMOUNT

\$

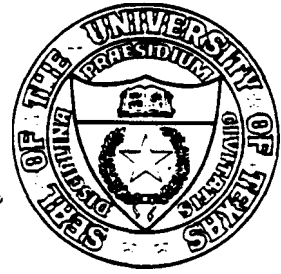
MATURITY DATE

NEW ISSUE

In the opinion of Co-Bond Counsel, interest on the Bonds is exempt from all present federal income taxes as further described under "Tax Exemption." See "Pending Federal Tax Legislation" under "Tax Exemption" for a description of the effect of pending federal income tax legislation.

*The University of Texas at Arlington
The University of Texas at Austin
The University of Texas at Dallas
The University of Texas at El Paso
The University of Texas of the Permian Basin
The University of Texas at San Antonio
The University of Texas at Tyler*

*The University of Texas Health Science Center at Dallas
The University of Texas Medical Branch at Galveston
The University of Texas Health Science Center at Houston
The University of Texas System Cancer Center
The University of Texas Health Science Center at San Antonio
The University of Texas Health Center at Tyler
The University of Texas Institute of Texan Cultures at San Antonio*



\$85,365,000

Board of Regents of The University of Texas System

General Tuition Revenue Refunding Bonds, Series 1986

Dated: June 1, 1986

Due: August 15, as shown herein

The Bonds constitute special obligations of the Board of Regents of The University of Texas System (the "Board") and will be payable solely from "Pledged Revenues" which include the "Pledged General Tuition" which is charged to regularly enrolled students in The University of Texas System and at any other institution, branch or school now or hereafter placed under the jurisdiction of the Board. The Bonds do not constitute the general obligations of the Board, The University of Texas System, the State of Texas or any political subdivision thereof. The Board has no taxing power and neither the credit nor the taxing power of the State of Texas or any political subdivision thereof is pledged as security for the payment of the Bonds. See "Security for the Bonds."

The proceeds from the sale of the Bonds, together with other available money of the Board, will be used for the purposes of providing funds to refund certain outstanding obligations of the Board and paying the costs of issuing the Bonds. See "Plan of Financing."

Interest on the Bonds accrues from June 1, 1986, and will be payable on February 15 and August 15 of each year commencing February 15, 1987. Principal of the Bonds will be payable at maturity or redemption upon presentation at the principal corporate office of the paying agent/registrars (the "Paying Agent/Registrar"), initially MBank Dallas, National Association, Dallas, Texas. The Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof within a maturity. The Bonds are subject to redemption prior to maturity as more fully described herein. See "Description of the Bonds."

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas and Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas and Austin, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Jenkins, Hutchison & Gilchrist, Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas. The Bonds are expected to be available for delivery on or about June 26, 1986, in New York, New York.

Morgan Guaranty Trust Company of New York

First Southwest Company
MBank Capital Markets
a unit of MBank Dallas, N.A.
Rauscher Pierce Refsnes, Inc.
Salomon Brothers Inc

Goldman, Sachs & Co.
Merrill Lynch Capital Markets
Rotan Mosle Inc.
Texas Commerce Bank
National Association

Underwood, Neuhaus & Co.
Incorporated

Dated: June 5, 1986.

MATURITY SCHEDULE

\$65,130,000 Serial Bonds

<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Yield</u>	<u>Due</u> <u>August 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Price</u>	<u>Yield</u>
1987	\$3,160,000	4.75%	100	% 4.75%	1994	\$6,110,000	7.50%	100	% 7.50%
1988	2,685,000	5.40	100	5.40	1995	6,385,000	7.70	100	7.70
1989	2,835,000	6.00	100	6.00	1996	6,220,000	7.80	99.639	7.85
1990	5,010,000	6.40	100	6.40	1997	4,920,000	8.00	100	8.00
1991	5,345,000	6.75	100	6.75	1998	5,320,000	8.00	99.601	8.05
1992	5,565,000	7.00	100	7.00	1999	5,750,000	8.00	99.184	8.10
1993	5,825,000	7.25	100	7.25					

\$20,235,000 8.125% Term Bonds due August 15, 2002 — Priced at 98.879% to Yield 8.25%

(Plus accrued interest from June 1, 1986)

No dealer, broker, salesman or other person has been authorized to give any information by the Board or the Underwriters, or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Board or the Underwriters. The price and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM

	<u>Residence</u>	<u>Term Expiration</u>
Mr. Jess Hay, Chairman	Dallas	1989
Mr. Robert B. Baldwin, III, Vice Chairman	Austin	1989
Mr. Shannon H. Ratliff, Vice Chairman	Austin	1991
Mr. Jack S. Blanton	Houston	1991
Mrs. Janey Slaughter Briscoe	Uvalde	1987
Mrs. Beryl Buckley Milburn	Austin	1987
Mr. Tom B. Rhodes	Dallas	1987
Mr. Bill Roden	Midland	1991
Mr. Mario Yzaguirre	Brownsville	1989

Mr. Arthur H. Dilly, Executive Secretary

**PRINCIPAL ADMINISTRATIVE OFFICERS AND STAFF OF
THE UNIVERSITY OF TEXAS SYSTEM**

Dr. Hans Mark	Chancellor
Dr. James P. Duncan	Executive Vice Chancellor for Academic Affairs
Dr. Charles B. Mullins	Executive Vice Chancellor for Health Affairs
Mr. Michael E. Patrick	Executive Vice Chancellor for Asset Management
Mr. Thomas G. Ricks	Manager of Debt Administration
Ms. Brenda F. Meglasson	Director, Asset Strategy and Planning
Mr. Thomas M. Keel	Executive Director of Finance and Administration
Mr. James L. Crowson	Vice Chancellor and General Counsel
Mr. Gerald Hill	Vice Chancellor for Governmental Relations
Mr. Joe E. Boyd, Jr.	Special Counsel — Finance
Mr. Paul J. Youngdale, Jr.	Director for Development
Mr. Mark Hanna	Director of Public Affairs
Mr. Joe Roddy	Director for Public Information
Mr. W. L. Lobb	Executive Director for Investment and Trusts
Mr. Frank Graydon	Budget Director
Mr. T. M. Grady	Comptroller
Mr. R. S. Kristoferson	Director of Facilities Planning and Construction
Mr. James C. Werchan	Director of Accounting

OFFICIAL STATEMENT

relating to

\$85,365,000

Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986

INTRODUCTION

This Official Statement provides certain information regarding the issuance by the Board of its bonds entitled "Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986" (the "Bonds"). Unless otherwise defined herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board which authorizes the issuance of the Bonds.

The University of Texas System (the "System") is an agency of the State of Texas (the "State") and consists of fourteen State-supported institutions which are included in the System by operation of the Texas Constitution and the laws of the State. The institutions included within the System are listed on the cover of this Official Statement. The Board is the governing body of the System and its members are officers of the State who are appointed by the Governor with the advice and consent of the State Senate.

This Official Statement contains summaries and descriptions of the Plan of Financing, the Bonds, the Board, the System, the Resolution and other related matters. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the Board or the Underwriters.

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds will be issued under the authority of Articles 717k and 717q, Vernon's Texas Civil Statutes, as amended, and pursuant to the terms of the Resolution.

Purpose

The Bonds are being issued to provide funds to refund all of the Board's previously issued and outstanding obligations which, in whole or in part, are secured by and payable from liens on and pledges of "Pledged Revenues," and for the purpose of paying costs incident to the issuance of the Bonds. See "Security for the Bonds." The current principal amount of the obligations being refunded is \$106,005,000, and they are herein referred to as the "Refunded Bonds." See *Appendix B, Schedule of Bonds to Be Refunded*. The issuance of the Bonds will (a) lower the overall annual debt service requirements of the Board on an actual basis, (b) permit the restructuring of the Board's debt service requirements, (c) release certain security previously pledged to the payment of the Refunded Bonds, and (d) broaden the permitted investments of the amounts credited to the Funds created by the Resolution.

Refunded Bonds

The Refunded Bonds and interest due thereon are to be paid on the scheduled interest payment and maturity dates, or upon earlier redemption, from funds to be deposited with MBank Houston, National Association, Houston, Texas (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") between the Board and the Escrow Agent.

The Resolution provides that, concurrently with the delivery of the Bonds, an amount from the proceeds of the sale of the Bonds, together with other available funds, will be deposited with the Escrow Agent in an escrow account (the "Escrow Fund") to refund the Refunded Bonds. The amounts deposited into the Escrow Fund will be invested in direct obligations of the United States of America (the "Federal Securities") and will be sufficient to provide for payment of the Refunded Bonds when due. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will not be available to pay principal of and interest on the Bonds.

The accuracy of the arithmetical and mathematical computations (a) of the adequacy of the maturing principal amounts of the Federal Securities together with a portion of the interest income thereon and uninvested cash, if any, to pay, when due, the principal or redemption price of and interest on the Refunded Bonds, and (b) relating to the determination of compliance with the regulations and rulings promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended (or Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838), will be verified by Ernst & Whinney, independent certified public accountants. Such verification of arithmetical accuracy and mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the Board will have provided for payment of the Refunded Bonds when due pursuant to the terms of the Resolution and in accordance with applicable laws. It is the opinion of Co-Bond Counsel that, as a result of such defeasance, the Refunded Bonds will be regarded as being outstanding only for the purpose of receiving payment from proceeds of the Federal Securities and cash held for such purpose by the Escrow Fund.

SOURCES AND USES OF FUNDS

It is anticipated that the proceeds from the sale of the Bonds and other available funds will be applied as follows:

Sources of Funds:

Principal Amount of the Bonds	\$ 85,365,000.00
Accrued Interest	438,668.66
Other Available Funds	<u>14,552,904.00</u>
Total Available Funds	<u>\$100,356,572.66</u>

Uses of Funds:

Credit to Escrow Fund	\$ 91,432,654.67
Credit to Reserve Fund	1,922,065.84
Credit to Interest and Sinking Fund	438,668.66
Reserve Fund Surety Bond Premium	291,000.00
Underwriters' Discount	1,435,043.75
Costs of Issuance	382,715.02
Original Issue Discount	317,435.35
Funds Released to Board	<u>4,136,989.37</u>
Total Application of Funds	<u>\$100,356,572.66</u>

DESCRIPTION OF THE BONDS

General

The Bonds are dated June 1, 1986, and are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof within a stated maturity. The Bonds accrue interest from their dated date at the rates shown on the reverse side of the cover page. Interest on the Bonds will be payable semiannually on February 15 and August 15 of each year commencing February 15, 1987. The Bonds will mature on August 15 in the years and in the principal amounts set forth on the reverse side of the cover page.

Interest on the Bonds will be payable by check mailed only to the registered owners of such Bonds appearing in the bond registration books of the Board to be maintained by the Paying Agent/Registrar as of the close of business on the last day of the month immediately preceding each interest payment date (the "Record Date"). Alternatively, upon request by and at the risk and expense of a registered owner, such interest may be paid by any other method acceptable to the Paying Agent/Registrar. Principal of the Bonds will be payable at maturity or on the date of earlier redemption, and only upon presentation and surrender of such Bonds at the principal corporate office of the Paying Agent/Registrar, to the registered owners thereof as shown in the bond registration books of the Paying Agent/Registrar.

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

Redemption

The Bonds are subject to redemption prior to maturity at the option of the Board on August 15, 1996, or on any date thereafter, in whole or in part in any integral multiple of \$5,000 (and if in part, the Bonds or portions thereof to be redeemed shall be selected by the Board) at the prices set forth below (expressed as a percentage of the principal amount of the Bonds being redeemed) plus accrued interest to the date fixed for redemption:

Optional Redemption

<u>Redemption Period</u>	<u>Price</u>
August 15, 1996, through August 14, 1997	102.0%
August 15, 1997, through August 14, 1998	101.5
August 15, 1998, through August 14, 1999	101.0
August 15, 1999, through August 14, 2000	100.5
August 15, 2000, and thereafter	100.0

The Bonds scheduled to mature on August 15, 2002, are subject to mandatory redemption prior to maturity in the following amounts on the following dates, at a price equal to the principal amount redeemed, with no redemption premium, plus accrued interest to the date fixed for redemption:

Mandatory Redemption

<u>Redemption Date</u>	<u>Principal Amount</u>
August 15, 2000	\$6,215,000
August 15, 2001	6,730,000
August 15, 2002 (maturity)	7,290,000

The sinking fund requirements are subject to reduction in amounts equal to amounts of the Bonds of such maturities previously (a) called for optional redemption, or (b) acquired by or at the direction of the Board, as provided in the Resolution.

Not less than 30 days prior to a redemption date, a notice of redemption will be published in a financial publication, journal or report of general circulation among securities dealers in New York, New York, or in the State in accordance with the Resolution. Additional notice will be sent by the Paying Agent/Registrar by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed in whole or in part at the address of each such owner appearing on the registration books of the Paying Agent/Registrar on the 45th day prior to such redemption date. Failure to mail or receive such notice will not affect the proceedings for redemption, and publication of a notice of redemption as set forth above shall be the only notice required as a prerequisite for redemption.

Paying Agent/Registrar

Under the Resolution the Board reserves the right to replace the Paying Agent/Registrar. The Board covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding, and any successor Paying Agent/Registrar shall be a competent and legally qualified bank, trust company, financial institution or other agency. In the event that the entity at any time acting as Paying Agent/Registrar should resign or otherwise cease to act as such, the Board covenants to promptly appoint a competent and legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees to cause a written notice thereof to be sent promptly to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar. Any such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal corporate office of the Paying Agent/Registrar. Any new Bond issued in an exchange or transfer of a Bond will be delivered to the registered owner or assignee of the registered owner after the receipt of the Bonds to be cancelled and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer may be in the denomination of any integral multiple of \$5,000 for any one maturity and shall bear the same rate of interest and have the same aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer.

Limitation on Transfer of Bonds

Neither the Board nor the Paying Agent/Registrar will be required to assign, transfer, convert or exchange (a) any Bond or any portion thereof during a period beginning at the close of business on any Record Date, and ending at the opening of business on the next following interest payment date, or (b) any Bond or any portion thereof called for redemption within 45 days prior to the date fixed for redemption.

SECURITY FOR THE BONDS

Pledge Under the Resolution

Under the Resolution, the Bonds and any Additional Bonds are special obligations of the Board and are secured solely by and are payable solely from a first lien on and pledge of the Pledged Revenues. Pledged Revenues consist of (a) the Pledged General Tuition, (b) all interest, income and earnings derived from the deposit and investment of the Interest and Sinking Fund and the Reserve Fund, and (c) any additional revenues, income, receipts or other resources whatsoever received or to be received from any public or private source, whether pursuant to an agreement or otherwise, which

may be subsequently pledged to the payment of the Bonds or the Additional Bonds. The Pledged Revenues are also pledged to the establishment and maintenance of the Interest and Sinking Fund, and the Reserve Fund. For a description of the Funds, see "Summary of Selected Provisions of the Resolution — Revenue Fund;" "— Interest and Sinking Fund;" and "— Reserve Fund." For a description of the Board's authority to invest money in such Funds, see "Summary of Selected Provisions of the Resolution — Investments."

The Bonds are not general obligations of the Board, the System, the State or any political subdivision of the State. The Board has no taxing power and neither the credit nor the taxing power of the State or any political subdivision thereof is pledged as security for the Bonds. The breach of any covenant, agreement or obligation contained in the Resolution will not impose or result in general liability or a charge against the general credit of the Board or the System.

Reserve Fund

The Resolution requires that the Board establish a \$9,200,658.82 Reserve Fund concurrently with the delivery of the Bonds. The Board has determined to (a) deposit \$1,922,065.84 in cash to the Reserve Fund and (b) provide a debt service reserve fund surety bond (the "Surety Bond") issued by the Municipal Bond Insurance Association (the "Association") in the amount of \$7,278,592.98 (the "Surety Bond Limit") in order to meet the Reserve Fund requirements. The Surety Bond is issued pursuant to a "Financial Guaranty Agreement" (herein so called) entered into between the Board and the Association.

Guaranty of the Reserve Fund

Subject to the Surety Bond Limit and to the "Surety Bond Coverage" described below, the Association unconditionally and irrevocably guarantees the full and complete payment of each debt service payment required to be made and not otherwise provided for by the Board to the Paying Agent/Registrar pursuant to the Resolution. Upon the Association General Manager's receipt of telegraphic notice from the Paying Agent/Registrar certifying that the Board has not credited to the Interest and Sinking Fund an amount which is sufficient to pay debt service due on the Bonds under the Resolution, the Association, on behalf of its members, will wire funds to the Paying Agent/Registrar in an amount which, together with other funds credited to the Interest and Sinking Fund, is sufficient to pay such debt service; provided, however, that the Association will not be required to transfer funds in excess of (a) the Surety Bond Limit, less (b) any prior payments made by the Association and not subsequently reimbursed (the "Surety Bond Coverage").

Under the Financial Guaranty Agreement, the Board is required to reimburse the Association within one year after any payment under the Surety Bond for the amount of such payment, plus interest accrued thereon from the date of the Association's payment to the date of reimbursement, at the prime rate of interest as announced from time to time by Citibank, N.A., New York, New York, plus two percent per annum (but not more than the maximum rate permitted by law). The Association is obligated to reinstate coverage under the Surety Bond to the extent of each reimbursement to the Association by the Board under the Financial Guaranty Agreement, provided that any such reinstatement may not exceed the Surety Bond Limit.

Payments due to the Association under the Financial Guaranty Agreement are payable solely from and are secured by a subordinate lien on the Pledged Revenues. Such payments must be applied (a) first, toward reimbursement of the aggregate Surety Bond payments made by the Association and not yet repaid (up to the Surety Bond Limit), and (b) second, toward other amounts, including, without limitation, interest payable with respect to any payments due the Association under the Surety Bond. In the event that the Surety Bond Coverage is at any time less than the Surety Bond Limit, the Board, prior to making any deposit to the Reserve Fund, will be required to reimburse the amount owed to the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. Further, no optional redemption of the Bonds nor distribution to the Board from

any of the Funds created under Resolution may be made unless the Association has been paid in full the amounts due under the Financial Guaranty Agreement.

Pledged General Tuition

The Pledged General Tuition consists of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled at each and every institution, branch and school now or hereafter operated by or under the jurisdiction of the Board. Pledged General Tuition specifically excludes, however, (a) the amount of tuition scholarships now provided for by law (as set forth in the Texas Education Code), and (b) the following amount of such student tuition at each and every such institution, branch and school which previously has been or hereafter may be pledged to the payment of other bonds (those previously issued Bonds being hereafter referred to as the "Prior Bonds") (except the Bonds and Additional Bonds) issued by the Board: \$5.00 from each enrolled student for each regular semester and, so long as the Prior Bonds are outstanding, \$5.00 from each enrolled student for each summer session, and after the Prior Bonds are no longer outstanding, \$2.50 from each enrolled student for each summer term of each summer session. The amount of the Pledged General Tuition pledged to the payment of the Bonds and any Additional Bonds may not be reduced or abrogated while such obligations are outstanding.

The following table sets forth the historical and projected annual gross amounts of the Pledged General Tuition for the fiscal years indicated:

**Pledged General Tuition
Historical and Projected Amounts (1)**

Fiscal Year Ending August 31	Aggregate Enrollment			Annual Gross Collection
	Fall Semester	Spring Semester	Summer Session	
1981	109,593	99,831	58,970	\$19,015,048
1982	113,514	103,035	59,851	20,666,819
1983	116,319	105,902	62,069	21,639,734
1984	118,633	107,096	62,279	22,205,366
1985	120,415	108,783	63,531	23,120,699
1986(2)	117,812	106,431	62,158	59,571,584
1987	115,000	103,891	60,674	72,500,000
1988	110,000	99,374	58,036	69,000,000
1989	111,000	100,277	58,564	69,600,000
1990	110,000	99,374	58,036	72,500,000

- (1) The amounts stated for the 1981-85 fiscal years and the fall semester of the 1986 fiscal year are actual amounts. The amounts stated thereafter represent estimates based on student enrollment forecasts and other assumptions that the Board believes to be reasonable. However, no assurance can be or is given by the Board that the estimates for student enrollment will not materially differ from actual results in the future.
- (2) The State Legislature enacted a tuition increase which became effective on September 1, 1985. Pursuant to Section 54.0512, Texas Education Code, the tuition charged to Texas residents for the 1985-86 school year was increased from \$4.00 per semester credit hour to \$12.00 per semester credit hour. For a discussion of the potential effect on student enrollment of this increase, see "Description of the System — Attendance Costs."

Pledged Revenues

The following table sets forth actual and estimated collections of Pledged Revenues for the fiscal years indicated:

Pledged Revenues Historical and Projected Amounts (1)

<u>Fiscal Year Ending August 31</u>	<u>Pledged General Tuition Collections</u>	<u>Interest Income</u>	<u>Total Collections</u>
1981	\$19,015,048	\$1,646,862	\$20,661,910
1982	20,666,819	2,145,311	22,812,130
1983	21,639,734	2,012,975	23,652,709
1984	22,205,366	1,881,078	24,086,444
1985	23,120,699	1,983,824	25,104,523
1986	59,571,584	800,000	60,371,584
1987	72,500,000	500,000	73,000,000
1988	69,000,000	500,000	69,500,000
1989	69,600,000	500,000	70,100,000
1990	72,500,000	500,000	73,000,000

- (1) The amounts stated for the 1981-85 fiscal years are actual amounts. The amounts stated thereafter represent estimates based on student enrollment forecasts and other assumptions that the Board believes to be reasonable. However, no assurance can be or is given by the Board that the estimates for student enrollment will not materially differ from actual results in the future.

Additional Parity Revenue Bonds

The Board has reserved the right in the Resolution to issue Additional Bonds on a parity as to security and payment with the Bonds upon the terms and conditions set forth in the Resolution. See "Summary of Selected Provisions of the Resolution — Additional Bonds;" and "— Requirements for Additional Bonds."

DEBT SERVICE REQUIREMENTS AND COVERAGE

The following table sets forth the principal and interest debt service requirements of the Bonds and the estimated debt service coverage provided by the Pledged General Tuition:

Fiscal Year Ending August 31	Estimated Pledged General Tuition	Total Annual Debt Service	Estimated Coverage (1)
1987.....	\$72,500,000	\$10,775,296	6.73x
1988.....	69,000,000	8,851,729	7.80
1989.....	69,600,000	8,856,739	7.86
1990.....	72,500,000	10,861,639	6.67
1991.....	72,500,000	10,875,999	6.67
1992.....	72,500,000	10,735,211	6.75
1993.....	72,500,000	10,605,661	6.84
1994.....	72,500,000	10,468,349	6.93
1995.....	72,500,000	10,285,099	7.05
1996.....	72,500,000	9,628,454	7.53
1997.....	72,500,000	7,843,294	9.24
1998.....	72,500,000	7,849,694	9.24
1999.....	72,500,000	7,854,094	9.23
2000.....	72,500,000	7,859,094	9.22
2001.....	72,500,000	7,869,125	9.21
2002.....	72,500,000	7,882,313	9.20

- (1) The Estimated Coverage is based on the assumption that no income other than the Pledged General Tuition will be available to pay debt service on the Bonds. Estimated Coverage represents Estimated Pledged General Tuition available for debt service on the Bonds divided by Total Annual Debt Service on the Bonds.

MUNICIPAL BOND INSURANCE ASSOCIATION

Each insurance company comprising the Association will be severally but not jointly obligated under the Surety Bond in the following respective percentages: The AEtna Casualty and Surety Company, 33%; Fireman's Fund Insurance Company, 30%; The Travelers Indemnity Company, 15%; AEtna Insurance Company, 12%; and The Continental Insurance Company, 10%. As a several obligor, each such insurance company will be obligated only to the extent of its percentage of any claim under the Surety Bond and will not be obligated to pay any unpaid obligation of any other Association member. Each insurance company's participation is backed by its entire resources.

The following table sets forth financial information with respect to the five member companies of the Association. The statistics, which have been furnished by the Association, are as reported by the member companies to the New York State Insurance Department and are determined in accordance with statutory accounting principles. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date thereof.

Municipal Bond Insurance Association
Five Member Companies' Assets and Policyholders' Surplus
As of March 31, 1986
(000's omitted)

	New York Statutory Assets	New York Policyholders' Surplus
The AEtna Casualty and Surety Company	\$ 8,789,269	\$1,415,173
Fireman's Fund Insurance Company	5,437,390	1,217,378
The Travelers Indemnity Company	6,453,307	848,590
AEtna Insurance Company	5,214,849	411,925
The Continental Insurance Company	1,451,463	226,150
Total	\$27,346,278	\$4,119,216

The Board makes no representation or warranty as to the financial condition of the Association or its ability or legal obligation to perform its guarantee under the Surety Board, or as to the legal relationships and respective obligations of or among the Association's members and participating companies, or as to the sufficiency or adequacy of the Surety Bond for any purpose. Information concerning the Association and its Surety Bond may be obtained by writing to the Association at 445 Hamilton Avenue, White Plains, New York 10602, or by telephoning (914) 681-1300.

DESCRIPTION OF THE SYSTEM

History, Administration, Sources of Funding

The System commenced in 1883 with the opening of The University of Texas at Austin. Today, the System is one of the largest educational organizations in the United States of America and through its component institutions provides instruction, research and public service throughout the State.

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms by the Governor of the State. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, general tuitions and fees, its interest in the Available University Fund, and miscellaneous sources. The percentage division of these fund sources for the fiscal year ended August 31, 1985, is as follows:

State Appropriations	51.2%
Sales and Service of Hospitals	15.7
Federal Funds	10.9
Sales and Services of Auxiliary Enterprises	5.8
Sales and Service of Education Activities and Other	4.9
Private Gifts	4.7
General Tuition and Fees	3.4
Endowment Income (including allocations from the Available University Fund)	3.4
Total	100.0%

Institutional Enrollment

The enrollments for the 1985 fall semester at the teaching components constituting the System are as shown below:

U.T. Arlington	23,109
U.T. Austin	47,838
U.T. Dallas	7,177
U.T. El Paso	14,110
U.T. Permian Basin	1,859
U.T. San Antonio.....	12,137
U.T. Tyler	3,620
U.T. Health Science Center at Dallas.....	1,436
U.T. Medical Branch at Galveston	1,646
U.T. Health Science Center at Houston	2,675
U.T. Health Science Center at San Antonio	2,205
Total	<u>117,812</u>

The University of Texas System Cancer Center, The University of Texas Health Center at Tyler, and The University of Texas Institute of Texan Cultures at San Antonio are not teaching institutions and have no enrollment.

Attendance Costs

Pursuant to Section 54.0512, Texas Education Code, which was enacted by the State Legislature in 1985, the tuition charged to Texas residents was increased from \$4.00 per semester credit hour to the current \$12.00 rate for the 1985-86 school year. Section 54.0512 also provides for additional increases in tuition for Texas residents to the following rates per semester credit hour: \$16.00 for the 1986-87 through 1988-89 school years; \$18.00 for the 1989-90 and 1990-91 school years; \$20.00 for the 1991-92 and 1992-93 school years; and \$22.00 for the 1993-94 and 1994-95 school years. Tuition for non-Texas residents increased from \$40.00 to \$120.00 per semester credit hour for the 1985-86 and 1986-87 school years. Beginning with the 1987-88 school year and thereafter, tuition for non-Texas residents will be charged at a rate which is approximately equal to the cost of providing the education for such student for each semester. The decline in enrollment for the 1985-86 school year indicated in the table set forth at "Security for the Bonds — Pledged General Tuition" is attributable primarily to these initial tuition increases, particularly with respect to non-Texas residents. Although the exact effect of future tuition increases cannot be predicted, such increases can be expected to have some negative effect on enrollment. However, even with such tuition increases, the cost of attending System universities is competitive with public universities in other states.

Discussion of General Academic Institutions

The University of Texas at Arlington, which has the fifth largest university enrollment in the State, is located in Arlington, located between Dallas and Fort Worth. The institution serves both a resident and commuter student body, and offers 96 degree programs at the baccalaureate, master and doctoral levels. Degree programs are offered through the Colleges of Liberal Arts, Science, Engineering, and Business Administration; Graduate School of Social Work; Institute of Urban Studies; School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin is a major teaching and research university with many nationally ranked academic programs at the graduate level. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additional property owned by The University of Texas at Austin is located in other areas of Austin and includes the Balcones

Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas, Texas, and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of the institution.

The University of Texas at Dallas was established in 1969 as an upper-level institution and offers curricula leading to more than 50 degrees at the baccalaureate, master and doctoral levels. The institution is structured to meet the needs of the community college graduate through its undergraduate programs and, at the same time, maintain high quality graduate programs. The institution continues to attract one of the State's largest budgets for sponsored research activities. A graduate level school of engineering was recently approved for the institution. The Callier Center for Communication Disorders, an internationally recognized teaching, research and treatment organization, is located near downtown Dallas. Several prominent education related agencies also are located on the campus, including Southwestern Legal Foundation and the Association for Higher Education of North Texas.

The University of Texas at El Paso was established by the State Legislature in 1913 as the Texas School of Mines and Metallurgy. It was renamed the College of Mines after becoming a branch of the System in 1919, changed to Texas Western College in 1949, and since 1967, has been The University of Texas at El Paso. Both baccalaureate and graduate degrees are offered in more than 60 majors through its six colleges and graduate schools. The University of Texas at El Paso is accredited through the doctoral level by the Southern Association of Colleges and Schools and offers a doctorate in Geological Sciences. Its location on the Texas-Mexico border brings hundreds of students from Mexico to the campus. Its international programs reflect the cultural, scientific and engineering interests of the two nations.

The University of Texas of the Permian Basin in Odessa opened for classes in September, 1973. As directed by the Texas Legislature in 1969, The University of Texas of the Permian Basin admits only upper-level students, and offers baccalaureate degrees in 27 fields and masters degrees in 15 fields. Innovative classroom and laboratory techniques are emphasized, especially self-paced instruction, experiential learning and open laboratory and art areas.

The University of Texas at San Antonio was established by the Texas Legislature in 1969. Graduate programs were initiated in leased facilities in June, 1973 and, during the summer of 1975, the institution moved to a 600-acre campus in northwest San Antonio. Junior and senior students were admitted in September, 1975, and freshmen and sophomores were enrolled in the summer of 1976, when the first phase of campus construction was completed. The Institution is a part of the Southwest Research Consortium.

The University of Texas at Tyler became a part of the System in 1979 by action of the 66th Texas Legislature. Created in 1971 as Tyler State College, the institution became Texas Eastern University in 1976. The upper-division (junior and senior) and graduate institution is located in the heart of East Texas midway between Dallas and Shreveport. A 200-acre wooded campus and modern facilities provide an excellent environment for teaching and learning. The four schools within the institution are: Business Administration, Education and Psychology, Liberal Arts, and Sciences and Mathematics. Current degree programs include 48 bachelor degrees in 33 academic areas and 15 masters degrees in nine fields.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established by the Board in the fall of 1972 as a component institution consisting of Southwestern Medical School, the Graduate School of Biomedical Sciences and the School of Allied Health Sciences. The institution was founded as Southwestern Medical College in 1943 by the Southwestern Medical Foundation and was added to the System in 1949. More than \$68 million in buildings and facilities have been added in the last decade to enable the center to engage in significant programs of teaching, research and patient care. Southwestern Medical School now graduates over 200 physicians each year, while the Graduate School of

Biomedical Sciences and the School of Allied Health Sciences graduates a total of more than 180 health scientists and professionals.

The University of Texas Medical Branch ("UTMB") at Galveston is the State's only multicategorical health referral center and serves as a major health resource and health referral center for much of the Southwest. UTMB includes the oldest medical school in the State, founded in 1891, and now has the 10th largest medical school in the United States. In addition, UTMB consists of the School of Nursing, School of Allied Health Sciences, Graduate School of Biomedical Sciences, Marine Biomedical Institute and Institute for the Medical Humanities. UTMB has undergone rapid expansion in the past two decades and now includes some of the most sophisticated health care facilities in the nation. The 80-acre campus on the east end of Galveston Island encompasses more than 50 major buildings. Approximately \$80 million of construction is ongoing. UTMB employs approximately 7,400 people, making it the largest single employer in Galveston County.

The University of Texas Health Science Center at Houston, the largest of the health science universities in the System, consists of eight components, six of which are schools: the Dental Branch (established in 1905 as the Texas Dental College); the Graduate School of Biomedical Sciences (established in 1963); the School of Public Health in Texas (established in 1967); the Medical School (established in 1970); the School of Nursing (established in 1972); and the School of Allied Health Sciences (established in 1973). The Division of Continuing Education, and the Speech and Hearing Institute round out the eight components. With its 668 full-time and 138 part-time faculty in eight teaching and research buildings, the Health Science Center is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established by the Board in the fall of 1972. The operational units of the Health Science Center include schools of Medicine, Dentistry, Nursing, Allied Health Sciences and Graduate Biomedical Sciences. Expanding programs both in research and instruction have allowed the institution to maintain its role as the heart of the South Texas Medical Center. The Health Science Center has earned a reputation as a first class research institution and is actively involved in its role as an educator of health professionals. Current building expansion projects include a Library facility and Allied Health Sciences facilities.

The University of Texas System Cancer Center is the official State agency for the care of Texans with cancer, for training and research in cancer, and for activities related to prevention of the disease. With the U. T. M. D. Anderson Hospital and Tumor Institute in Houston as its center, the U. T. Cancer Center also includes a 110-bed Rehabilitation Center for recovering cancer patients, the Anderson Mayfair patient and family hotel, and the 1,100-acre Science Park. Since the hospital opened in 1944, more than 165,000 persons with cancer have been treated. At least 10,000 health professionals and scientists have received training at U. T. M. D. Anderson Hospital. U. T. Cancer Center researchers are involved in more than 525 scientific projects aimed at cancer control and prevention. The U. T. Science Park in Central Texas includes two divisions devoted to cancer research and veterinary resources.

The University of Texas Health Center at Tyler is the primary facility for patient care, education, and research in diseases of the chest. The institution became a part of the System on September 1, 1977, by action of the 65th Legislature. The Health Center's mission was expanded at that time to include its patient care facilities as a teaching hospital. During the year its medical services were expanded to include cardiology services, clinical laboratory space was expanded, and renovation of outpatient facilities was begun. Current construction will increase maintained space to approximately 412,000 gross square feet.

Texas Select Committee on Higher Education

In 1985, the 69th Texas Legislature established the Select Committee on Higher Education (the "Committee") as a special interim committee to make a comprehensive study of issues and concerns relating to higher education in the State and to report to the 70th Texas Legislature before it convenes

in Regular Session in January 1987. The Committee includes the Governor and the Lieutenant Governor of Texas, other public officials of the State and members appointed by such officials. The particular areas to be studied include, among others, funding and cost effective alternatives for maintaining the higher education system, with special emphasis on long-term enrollment projections. It is not possible to predict what recommendations may be made by the Committee, or the effect on the System and its future enrollment of any such recommendations or any action taken by the Texas Legislature in response thereto.

Accounting Practices and Summary Financial Information

The System uses "fund accounting" principles in accounting for its assets, liabilities, fund balances and operations accounts to ensure compliance with restrictions placed on the uses of System resources by outside entities. A separate fund is established for each project or purpose, and all activity affecting each fund is reflected in the accounting records. Funds that have similar characteristics are combined into fund groups for reporting purposes. The following tables set forth summary financial information of the System. The System's and the System Administration's unaudited financial statements for the fiscal year ended August 31, 1985, and audited financial statements for the fiscal year ended August 31, 1984, are included in *Appendix C* to this Official Statement. The System Administration's financial information is included in the System's financial statements.

The University of Texas System Summary Balance Sheet (1)

	Fiscal Year Ended August 31				
	1981	1982	1983	1984	1985 (2)
ASSETS:					
Current Funds:					
General	\$ 148,292,519	\$ 156,153,972	\$ 227,027,921	\$ 247,981,349	\$ 342,135,901
Auxiliary Enterprises and Activities	41,086,421	49,707,283	54,386,358	69,045,826	67,661,072
Designated	170,250,925	217,800,724	268,112,875	258,443,462	288,045,846
Restricted	228,796,274	235,307,561	254,457,856	295,377,193	334,433,976
Total Current Funds	588,426,139	658,969,540	803,985,010	870,847,830	1,032,276,795
Loan Funds	38,590,766	40,602,759	44,900,251	49,506,865	53,482,648
Endowment and Similar Funds:					
State (Permanent University Fund)	1,529,378,125	1,735,771,704	1,912,646,657	2,092,548,880	2,326,902,088
Other than State	144,822,583	186,846,894	245,694,952	319,456,771	381,433,462
Total Endowment and Similar Funds	1,674,200,708	1,922,618,598	2,158,341,609	2,412,005,651	2,708,335,550
Annuity and Life Income	4,015,977	4,270,404	4,386,988	4,226,482	4,427,271
Available University Fund	47,068,980	59,393,741	59,206,856	72,965,475	69,866,535
Plant Funds:					
Unexpended	270,703,051	278,900,348	267,487,890	297,931,609	248,595,573
Renewals and Replacements	6,734,106	8,516,618	7,120,412	7,709,931	10,435,057
Fund for Retirement of Indebtedness ..	89,173,578	93,410,709	95,856,259	110,710,094	111,867,596
Invested in Plant	1,951,020,466	2,125,924,201	2,294,183,734	2,507,801,796	2,749,592,679
Total Plant Funds	2,317,631,201	2,506,751,876	2,664,648,295	2,924,153,430	3,120,490,905
Agency Funds	29,503,453	35,083,786	37,333,713	44,697,696	46,401,399
DEDUCT: Interfund Group Accounts	73,261,894	90,698,279	68,935,844	82,075,062	65,221,084
GRAND TOTAL ASSETS	4,626,175,330	5,136,992,425	5,703,866,878	6,296,328,367	6,970,060,019
Less: Total Liabilities	789,319,094	785,988,129	825,706,649	971,939,797	1,034,768,557
FUND BALANCES (i.e. Net Worth)	\$3,836,856,236	\$4,351,004,296	\$4,878,160,229	\$5,324,388,570	\$5,935,291,462

(1) The System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Unaudited.

The University of Texas System
Summary Statement of Current Funds, Revenues and Expenditures (1)

	Fiscal Year Ended August 31				
	1981	1982	1983	1984	1985 (2)
CURRENT INCOME:					
Tuition and Fees	\$ 55,256,693	\$ 59,036,224	\$ 61,934,707	\$ 64,924,264	\$ 66,739,972
Federal Funds	185,711,999	180,387,675	179,785,974	186,382,504	217,236,697
State Appropriations	672,548,506	819,657,916	921,708,827	943,976,556	1,022,981,019
Private Gifts	56,685,641	68,289,677	80,689,465	90,114,683	95,086,926
Endowment Income (Includes Transfers from Available University Fund)	28,870,244	40,625,397	52,391,655	66,204,235	67,346,232
Sales and Services of Auxiliary Enterprises	66,306,297	80,232,658	92,082,396	102,697,166	115,765,775
Sales and Services of Hospitals and Clinics: Professional Fees	198,496,158	248,680,301	278,501,336	285,632,549	313,447,996
Sales and Services of Educational Departments and Other Services	67,724,050	90,636,591	74,960,624	89,629,200	98,851,925
Total Current Revenues	<u>1,333,599,588</u>	<u>1,587,536,439</u>	<u>1,742,054,986</u>	<u>1,833,561,179</u>	<u>1,999,456,544</u>
CURRENT EXPENDITURES AND MANDATORY TRANSFERS					
Educational	1,144,811,625	1,340,635,540	1,496,596,949	1,625,843,582	1,729,620,907
Auxiliary Enterprises	83,192,241	95,195,123	104,758,914	116,490,743	126,544,823
Mandatory Transfers	26,690,578	26,059,335	38,760,677	54,047,509	28,685,341
Total Current Expenditures and Mandatory Transfers	<u>1,254,694,444</u>	<u>1,461,889,998</u>	<u>1,642,118,540</u>	<u>1,796,381,834</u>	<u>1,886,851,071</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 78,905,144</u>	<u>\$ 125,646,441</u>	<u>\$ 99,936,441</u>	<u>\$ 37,179,345</u>	<u>\$ 112,607,473</u>

(1) The System uses the modified accrual method of accounting prescribed for Colleges and Universities as set forth in *Colleges and University Business Administration*, Revised Edition, 1974.

(2) Unaudited.

SUMMARY OF SELECTED PROVISIONS OF THE RESOLUTION

The following is a summary of selected provisions of the Resolution. This summary does not purport to be a complete recitation of the Resolution to which reference is hereby made for a full and complete statement of the provisions contained therein. The section numbers in this summary section correspond to the section numbers in the Resolution.

Section 1. DEFINITIONS. Throughout the Resolution, the following terms as used therein have the meanings set forth below, unless the text hereof specifically indicates otherwise:

The term "Additional Bonds" means the additional parity revenue bonds permitted to be issued pursuant to the Resolution.

The term "Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York, and includes any reinsuring surety permitted under the Financial Guaranty Agreement.

The term "Appreciated Amount" means with respect to any Bond or Additional Bond paying accrued and compounded interest only at maturity, as of any particular date of calculation, the original principal amount thereof, plus all interest accrued and compounded to the particular date of calculation, as determined in accordance with the Resolution authorizing such bonds.

The term "Demand for Payment" means the certificate submitted on behalf of the Board to the Association for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

The term "Financial Guaranty Agreement" means the Financial Guaranty Agreement dated the date of delivery of the Initial Bond by and between the Board and the Association, as the same may be amended.

The term "Investment Securities" means the following securities or contracts to acquire the following securities, to-wit:

(i) any bonds or other obligations which as to principal and interest constitute direct obligations of, or are unconditionally guaranteed by, the United States of America, including Treasury Receipts evidencing ownership of future interest and principal payments due on direct obligations of the United States of America;

(ii) bonds, participation certificates or other obligations of any agency or instrumentality of the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation;

(iii) new housing authority bonds issued by public agencies of a state or of municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America;

(iv) direct and general obligations of any state of the United States of America, or of any municipality or school district of the State of Texas, the payment of the principal of and interest on which the full faith and credit of such state or municipality, as the case may be, is pledged, provided that such obligations are rated at the time of purchase in either of the two highest rating categories (without regard to rating subcategories) by a nationally recognized bond rating agency;

(v) certificates of deposit, whether negotiable or non-negotiable, issued by any bank or trust company organized under the laws of any state of the United States of America or any national banking association, provided that such certificates of deposit shall be purchased directly from such bank, trust company or national banking association and shall be either (A) continuously and fully insured by the Federal Deposit Insurance Corporation, or (B) continuously and fully

secured by such securities as are described above in clauses (i) through (iv), inclusive, which shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and shall be lodged with or as directed by the Board, by the bank, trust company or national banking association issuing such certificates of deposit;

(vi) uncollateralized certificates of deposit of financial institutions which certificates of deposit are rated at the time of purchase in one of the two highest rating categories (without regard to rating subcategories) by any nationally recognized municipal or corporate rating agency;

(vii) any repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii) or (iii) above; and with the securities lodged with or as directed by the Board;

(viii) banker's acceptances, eurodollar deposits and certificates of deposit (in addition to the certificates of deposit provided for by clause (v) and (vi) above) of the domestic branches of foreign banks having a capital and surplus of \$3,000,000,000 or more, or of any bank or trust company organized under the laws of the United States of America or Canada, or any state or province thereof having capital and surplus if located in the State of Texas, in the amount of \$200,000,000, and, if located outside of the State of Texas, in the amount of \$3,000,000,000; provided that the aggregate maturity value of all such banker's acceptances and certificates of deposit held at any time as investments of funds under the Resolution with respect to any particular bank, trust company or national association located in the State of Texas shall not exceed 10% of the amount of its capital and surplus and with respect to any particular bank, trust company or national association located outside of the State of Texas shall not exceed 5% of its capital and surplus; and provided further that any such bank, trust company or national association shall be rated at the time of purchase in one of the two highest rating categories (without regard to rating subcategories) by any nationally recognized municipal or corporate rating agency;

(ix) any reverse repurchase agreement with any bank or trust company organized under the laws of any state of the United States of America or any national banking association or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by any one or more of the securities described in clauses (i), (ii), or (iii) above, and with the securities lodged with or as directed by the Board;

(x) municipal or corporate commercial paper rated at the time of purchase either A-1, P-1 or higher, or municipal or corporate bonds or notes rated at the time of purchase in one of the two highest rating categories (without regard to rating subcategories) by any nationally recognized municipal or corporate rating agency;

(xi) other unsubordinated securities or obligations issued or guaranteed (including a guarantee in the form of a bank standby letter of credit) by any domestic corporation (including a bank or trust company) which has outstanding at the time of investment debt securities rated in one of the two highest rating categories (without regard to rating subcategories) by any nationally recognized rating agency;

(xii) investments of any type described and permitted by law of the State of Texas applicable to the Board including, without limitation, investments authorized by Article 717k-6, Vernon's Texas Civil Statutes, as the same now exists or is hereafter amended; and

(xiii) money market funds which invest in any of the above listed obligations.

The term "Outstanding Principal Amount" shall mean the outstanding and unpaid principal amount of the Bonds and Additional Bonds paying interest on a current basis, and the outstanding and unpaid Appreciated Amount of the Bonds and Additional Bonds paying accrued and compounded interest only at maturity.

The term "Surety Bond" means that surety bond issued by the Association guaranteeing, subject to the terms and limitations thereof, payments of interest on and principal of the Bonds required to be made by the Board, substantially in the form attached to the Financial Guaranty Agreement as Annex A.

The term "Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

The term "Surety Bond Limit" means \$7,278,592.98.

Section 8. REVENUE FUND. The Resolution creates and establishes on the books of the Board a separate account or accounts which individually or collectively shall be known as the "General Tuition Revenue Bonds Revenue Fund" (herein called the "Revenue Fund"). Except as otherwise provided in the Resolution, all collections of Pledged Revenues shall be credited to the Revenue Fund immediately upon receipt.

Section 9. INTEREST AND SINKING FUND. To pay the principal of and interest on all outstanding Bonds and any Additional Bonds, as the same come due, the Resolution creates and establishes on the books of the Board a separate account to be entitled the "General Tuition Revenue Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund").

Section 10. RESERVE FUND. The Resolution creates and establishes on the books of the Board a separate account to be entitled the "General Tuition Revenue Bonds Reserve Fund" (herein called the "Reserve Fund"). The Reserve Fund shall be used finally in retiring the last of the outstanding Bonds and Additional Bonds, or for paying principal of and interest on any outstanding Bonds and Additional Bonds, when and to the extent the amount in the Interest and Sinking Fund is insufficient for such purpose. For purposes of calculating, from time to time, the amount on deposit in the Reserve Fund, an amount equal to the Surety Bond Coverage on the Surety Bond held by Paying Agent/Registrar shall be deemed to be on deposit in the Reserve Fund.

Section 11. INVESTMENTS. (a) Money in any account or Fund established pursuant to the Resolution may, at the option of the Board, be placed in time deposits secured by Investment Securities, or be invested in Investment Securities; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any such account or Fund will be available at the proper time or times. For all purposes of the Resolution, such investments shall be valued at their market value as of thirty days prior to the end of each fiscal year. Interest and income derived from such deposits and investments shall be credited to the account or Fund from which the deposit or investment was made and shall be used only for the purpose or purposes for which such account or Fund is required or permitted to be used. Such investments shall be sold promptly when necessary to prevent any default in connection with the Bonds or Additional Bonds. Money in any Fund may be invested, together with money in other funds or with other money of the System, in common investments of the kind described above, or in a common pool of such investments which shall be kept and held at an official depository of the System, which shall not be deemed to be or constitute a commingling of such money or Funds provided that the separate accounts maintained on the books of the System for such Funds clearly evidence the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such Fund or held by or on behalf of each such Fund.

(b) Money in all accounts and Funds created by the Resolution, to the extent not invested, shall be secured in the manner prescribed by law for such funds of the Board, in principal amounts at all times not less than the amounts of money credited to such accounts and Funds, respectively.

Section 12. **INTEREST AND SINKING FUND DEPOSITS.** (a) Immediately after the delivery of the Bonds, the Board shall deposit all accrued interest received from the sale and delivery of the Bonds, to the credit of the Interest and Sinking Fund.

(b) The Board shall transfer or cause to be transferred from the Pledged Revenues in the Revenue Fund and deposit, or cause to be deposited, to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

(i) on or before October 15, 1986, and semiannually on or before each March 1 and October 15 thereafter, such amounts as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay the interest scheduled to accrue and come due on the Bonds on the next succeeding interest payment date; and

(ii) on or before March 1, 1987, and annually on or before each March 1 thereafter, an amount equal to the principal of the Bonds scheduled to mature or mandatorily required to be redeemed prior to maturity on each August 15.

Section 13. **RESERVE FUND DEPOSITS.** Immediately after the delivery of the Bonds the Board shall deposit to the credit of the Reserve Fund an amount equal to the Required Amount, as hereinafter defined. The deposit of the Required Amount may be made from any one or more of the following sources or in the following forms: (i) proceeds from the sale of the Bonds; (ii) any other funds available to the Board; or (iii) amounts represented by the Surety Bond Coverage on the Surety Bond held by the Paying Agent/Registrar and deemed to be on deposit in the Reserve Fund. So long as the money and investments credited to the Reserve Fund are not less than an amount equal to the lesser of (1) the principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds during the fiscal year in which such requirements are scheduled to be the greatest, or (2) the average annual principal and interest (debt service) requirements of all then outstanding Bonds and Additional Bonds (the "Required Amount"), no deposits shall be credited to the Reserve Fund. However, if the Reserve Fund at any time contains less than the Required Amount then, subject and subordinate to making the required deposits to the credit of the Interest and Sinking Fund and except as provided below, the Board shall transfer or cause to be transferred from Pledged Revenues and deposit, or cause to be deposited, to the credit of the Reserve Fund semiannually, on or before each March 1 and October 15 thereafter, a sum at least equal to 1/10th of the Required Amount until the Reserve Fund is restored to the Required Amount; provided, however, that at any time when the Surety Bond Coverage is less than the Surety Bond Limit, prior to making any deposits to the credit of the Reserve Fund, the Board shall apply the Pledged Revenues in reimbursement of amounts owed the Association under the Financial Guaranty Agreement until the Surety Bond Coverage equals the Surety Bond Limit. So long as the Reserve Fund contains the Required Amount, any surplus in the Reserve Fund over said Required Amount shall be transferred and commingled with the Board's general funds and used for any lawful purpose.

Section 14. **ADDITIONAL AND EXCESS FUNDS.** (a) If on any occasion there shall not be Pledged Revenues sufficient to make the required deposits to the credit of the Interest and Sinking Fund and the Reserve Fund, then such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Immediately following each required deposit from the Revenue Fund to the credit of the Interest and Sinking Fund and the Reserve Fund, as required by the Resolution, or any resolution authorizing the issuance of Additional Bonds, all remaining surplus Pledged Revenues then on deposit to the credit of the Revenue Fund shall be transferred and commingled with the Board's general funds and used for any lawful purpose. It is specifically covenanted and agreed, however, that none of the Pledged Revenues in the Revenue Fund (including especially the Pledged General Tuition) will be released from the control of the Board, deposited into the State Treasury of the State, or otherwise expended or disposed of, until after each such required deposit from the Revenue Fund has been made to the credit of the Interest and Sinking Fund and the Reserve Fund.

Section 15. PAYMENT OF BONDS. On or before February 15, 1987, and semiannually on or before each August 15 and February 15 thereafter while any of the Bonds are outstanding and unpaid, the Board shall make available to the Paying Agent/Registrar, out of the Interest and Sinking Fund, and/or the Reserve Fund, if necessary, money sufficient to pay such interest on and such principal of the Bonds as will accrue or mature, or be subject to mandatory redemption prior to maturity, on such February 15 or August 15. The Paying Agent/Registrar shall cancel all paid Bonds and shall furnish the Board with an appropriate certificate of cancellation.

Section 16. CESSATION OF DEPOSITS. At such time as the aggregate amount of money and investments on deposit to the credit of the Interest and Sinking Fund and the Reserve Fund (excluding any amounts attributable to the Surety Bond or any additional Surety Bonds) is at least sufficient to pay (1) the aggregate principal amount of all unpaid (unmatured and matured) outstanding Bonds and Additional Bonds, plus (2) the aggregate amount of all unpaid interest on such Bonds and Additional Bonds, no further deposits need be made into the Interest and Sinking Fund or Reserve Fund. In determining the amount of such Bonds and Additional Bonds, and interest thereon, outstanding at any time, there shall be subtracted and excluded the amount of any such Bonds and Additional Bonds, and interest thereon, which shall have been duly called for redemption and for which funds shall have been deposited with the Paying Agent/Registrar therefor sufficient, including any required redemption premium, for such redemption.

Section 17. SPECIAL OBLIGATIONS. The Bonds and any Additional Bonds, and the interest thereon, will constitute special obligations of the Board payable from the Pledged Revenues, and the owners of the Bonds and Additional Bonds, shall never have the right to demand payment out of funds raised or to be raised by taxation, or from any source other than specified in the Resolution.

Section 18. ADDITIONAL BONDS. The Board reserves and shall have the right and power to issue, in one or more series, Additional Bonds for any purpose authorized by law, including the refunding of any Bonds or Additional Bonds, which Additional Bonds, when issued, shall be secured by and payable from a first lien on and pledge of the Pledged Revenues equally and ratably with, and in the same manner and to the same extent as, the Bonds and any other then outstanding Additional Bonds; and the Additional Bonds permitted by this Section of the Resolution, when issued, shall be payable from and secured by the Interest and Sinking Fund and the Reserve Fund and shall be in all respects of equal dignity and on a parity with the Bonds and any other then outstanding Additional Bonds. Each resolution under which Additional Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of the Resolution and the provisions of any other resolution or resolutions authorizing Additional Bonds to be deposited to the credit of the Interest and Sinking Fund, the Board shall transfer from Pledged Revenues and deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Bonds then being issued, as the same come due; and that the aggregate amount to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent necessary) to an amount not less than the Required Amount; and that the required additional amount shall be so accumulated by the deposit to the credit of the Reserve Fund of all or any part of said required additional amount in the form of cash and/or a Surety Bond, issued by an issuer having a long-term debt rating at least equal to the rating on the Bonds and any outstanding Additional Bonds, with coverage in an amount that, together with any cash so deposited, is at least equal to said required additional amount. Such required additional amount shall be deposited immediately after the delivery of the then proposed Additional Bonds, or, at the option of the Board, by the deposit, from Pledged Revenues, of said required additional amount (or any balance of said required additional amount not deposited in cash as permitted above) in semiannual installments, made on or before March 1 and October 15 following the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, of not less than 1/10th of said required additional amount (or 1/10th of the balance of said required additional amount not deposited in cash as permitted above).

Section 19. REQUIREMENTS FOR ADDITIONAL BONDS. Additional Bonds shall be issued only in accordance with the Resolution, but notwithstanding any provisions of the Resolution to the contrary, no installment, Series, or issue of Additional Bonds shall be issued or delivered unless:

(a) The senior financial officer of the System signs a written certificate to the effect that the Board is not in default as to any covenant, condition, or obligation in connection with all outstanding Bonds and Additional Bonds, or any resolution authorizing same, and that the Interest and Sinking Fund and the Reserve Fund each contains the amount then required to be therein; and

(b) The State Auditor of the State or any certified public accountant, signs a written certificate to the effect that, during either the next preceding fiscal year of the System, or any twelve consecutive calendar month period ending not more than ninety days prior to the adoption of the resolution authorizing the issuance of the then proposed Additional Bonds, the Pledged Revenues were at least equal to 1.25 times the average annual principal and interest requirements of all Bonds and Additional Bonds which are scheduled to be outstanding after the issuance of the proposed Additional Bonds.

Section 20. COVENANTS. The Board further covenants and agrees that:

(a) It will fix, impose, charge, and collect all Pledged General Tuition; and will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in the Resolution and each resolution authorizing the issuance of Additional Bonds, and in each and every Bond and Additional Bond; that it will promptly pay or cause to be paid from the Pledged Revenues the principal of and interest on every Bond and Additional Bond, on the dates and in the places and in the manner prescribed in such resolutions and Bonds or Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited from the Pledged Revenues the amounts required to be deposited to the credit of the Interest and Sinking Fund and the Reserve Fund; and any owner of the Bonds or Additional Bonds may require the Board, its officials and employees, and any appropriate official of the State, to carry out, respect, or enforce the covenants and obligations of the Resolution or any resolution authorizing the issuance of Additional Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the Board, its officials and employees, or any appropriate official of the State.

(b) It is duly authorized under the laws of the State to create and issue the Bonds; that all action on its part for the creation and issuance of the Bonds has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable special obligations of the Board in accordance with their terms.

(c) It lawfully owns, has title to, and is lawfully possessed of the lands, buildings, and facilities now constituting the System, it warrants that it has, and will defend, the title to all the aforesaid lands, buildings, and facilities, and every part thereof, for the benefit of the owners of the Bonds and Additional Bonds against the claims and demands of all persons whomsoever, it is lawfully qualified to pledge the Pledged Revenues to the payment of the Bonds and Additional Bonds in the manner prescribed in the Resolution, and has lawfully exercised such rights.

(d) It will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the campuses, buildings, and facilities of the System, it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens created in the Resolution, so that the priority of the liens granted thereunder shall be fully preserved in the manner provided therein, and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens thereof, or do or suffer any matter or thing whereby the liens thereof might or could be impaired; provided,

however, that no such tax, assessment, or charge, and that no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the Board.

(e) It will continuously and efficiently operate and maintain in good condition, and at a reasonable cost, the System and the facilities and services thereof, so long as any Bonds or Additional Bonds are outstanding.

(f) While the Bonds or any Additional Bonds are outstanding and unpaid, the Board shall not additionally encumber the Pledged Revenues in any manner, except as permitted in the Resolution in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of the Resolution.

(g) Proper books of record and account will be kept in which full, true, and correct entries will be made of all dealings, activities, and transactions relating to the Pledged Revenues, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any bondholder.

(h) Each year while any of the Bonds or Additional Bonds are outstanding, an audit will be made of its books and accounts relating to the Pledged Revenues by the State Auditor of the State, or any certified public accountant, such audit to be based on the fiscal year of the System. As soon as practicable after the close of each such fiscal year, and when said audit has been completed and made available to the Board, a copy of such audit for the preceding fiscal year shall be mailed to each owner of any Bond or Additional Bond who shall so request in writing. Such annual audit reports shall be open to the inspection of the owners of the Bonds and Additional Bonds and their agents and representatives at all reasonable times.

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

Section 22. REMEDIES. Any owner or holder of any of the Bonds or Additional Bonds, when issued, in the event of default in connection with any covenant contained in the Resolution, 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 pledged in the Resolution or for enforcing any covenant contained in the Resolution.

Section 25. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Bonds aggregating 51% in Outstanding Principal Amount of the aggregate principal amount of then outstanding Bonds and Additional Bonds shall have the right from time to time to approve any amendment to any resolution authorizing the issuance of Bonds or Additional Bonds which may be deemed necessary or desirable by the Board, provided, however, that nothing herein contained shall permit or be construed to permit, without the approval of the owners of all of the outstanding Bonds and Additional Bonds, the amendment of the terms and conditions in said resolutions or in the Bonds or Additional Bonds so as to :

- (1) Make any change in the maturity of the outstanding Bonds or Additional Bonds;
- (2) Reduce the rate of interest borne by any of the outstanding Bonds or Additional Bonds;

(3) Reduce the amount of the principal payable on the outstanding Bonds or Additional Bonds;

(4) Modify the terms of payment of principal of or interest on the outstanding Bonds or Additional Bonds, or impose any conditions with respect to such payment:

(5) Affect the rights of the owners of less than all of the Bonds and Additional Bonds then outstanding;

(6) Change the minimum percentage of the Outstanding Principal Amount of Bonds and Additional Bonds necessary for consent to such amendment.

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

(c) Whenever at any time not less than 30 days, and within one year, from the date of the first publication of said notice or other service of written notice of the proposed amendment the Board shall receive an instrument or instruments executed by the owners of at least 51% in Outstanding Principal Amount of all Bonds and Additional Bonds then outstanding, which instrument or instruments shall refer to the proposed amendment described in said notice and which specifically consent to and approve such amendment in substantially the form of the copy thereof on file as aforesaid, the Board may adopt the amendatory resolution in substantially the same form.

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

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

(f) For the purpose of this Section the ownership and other matters relating to all Bonds and Additional Bonds shall be determined from the registration books kept for such bonds by the Paying Agent/Registrar therefor.

ABSENCE OF LITIGATION

Neither the Board nor the System is a party to any litigation or other proceeding pending or, to their knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to such parties, would have a material adverse effect on the financial condition of such parties or the Pledged Revenues. On the date of delivery of the Bonds to the Underwriters, the Board will execute and deliver to the Underwriters a certificate to the effect that no litigation of any nature has been filed or, to the Board's knowledge, threatened which seeks to

restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

LEGAL MATTERS

Legal matters incident to the authorization, issuance and sale of the Bonds are subject to the unqualified approval of the Attorney General of the State of Texas and of Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel to the Board, whose approving opinion will be printed on the Bonds in the form attached hereto as *Appendix A*. Co-Bond Counsel were not requested to participate, and did not take part, in the preparation of this Official Statement except as hereinafter noted, and such firms have not assumed any responsibility with respect thereto or undertaken to verify any of the information contained herein, except that, in their capacity as Co-Bond Counsel, such firms have reviewed the information relating to the Bonds and the Resolution contained under the captions "Plan of Financing," "Description of the Bonds," "Security for the Bonds" (except for information under the subheadings "Pledged Revenues" and "Pledged General Tuition-Pledged General Tuition Historical and Projected Amounts"), "Summary of Selected Provisions of the Resolution," "Tax Exemption," "Legal Investments in Texas" and "Tax Treatment of Original Issue Discount Bonds" in this Official Statement, and such firms are of the opinion that the information relating to the Bonds and the Resolution contained under such captions is a fair and accurate summary of the information purported to be shown. The payment of legal fees to Co-Bond Counsel in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by Jenkins, Hutchison & Gilchrist, Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas.

TAX EXEMPTION

The delivery of the Bonds is subject to the opinion of Co-Bond Counsel to the effect that interest on the Bonds is exempt from all present federal income taxes under existing law. See *Appendix A*, Form of Opinion of Co-Bond Counsel. The law upon which the conclusion stated in Co-Bond Counsel's opinion is based is subject to change by the Congress, the Treasury Department and later judicial and administrative decisions.

The accuracy of the arithmetical and mathematical computations relating to the determination of compliance with the regulations and rulings promulgated under Section 103(c) of the Internal Revenue Code of 1954, as amended (or Sections 147(g) and 149(d)(2)(D)(i) of the proposed Internal Revenue Code of 1985, if enacted as set forth in H.R. 3838), will be verified by Ernst & Whinney, independent certified public accountants. Such verification of arithmetical accuracy and mathematical computations will be based upon information and assumptions supplied by the Board, and such verification, information and assumptions will be relied on by Co-Bond Counsel in rendering their opinion described herein.

Pending Federal Tax Legislation

H.R. 3838. On December 17, 1985, the U.S. House of Representatives adopted H.R. 3838 entitled the "Tax Reform Act of 1985," which includes proposed amendments to the provisions of the Internal Revenue Code that generally relate to tax-exempt bonds. As applied to the Bonds, the relevant provisions of the proposed amendments would impose certain new requirements. These proposed amendments as adopted are, in general, to be effective for bonds issued on or after January 1, 1986.

On March 14, 1986, a joint statement (the "Joint Statement") regarding the effective date of certain provisions of H.R. 3838 was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance, and the Secretary of the Treasury. In this Joint Statement, these individuals endorsed a postponement, until September 1, 1986

(or the date of enactment of tax reform legislation, if earlier), of any application of certain provisions of H.R. 3838 which would affect the Bonds.

The Board does not intend to comply with the provisions of H.R. 3838 that apply to the Bonds and which would, pursuant to the Joint Statement, have a postponed effective date. Accordingly, if H.R. 3838 is enacted in its pending form without the postponed effective date for certain provisions endorsed by the Joint Statement, interest on the Bonds would become taxable retroactively to their date of issuance.

In the opinion of Co-Bond Counsel, if H.R. 3838 is enacted as passed by the House of Representatives, but with effective dates modified in conformity with the Joint Statement, the exemption of interest on the Bonds from Federal income tax under existing law would not be adversely affected, except that interest on the Bonds owned by property and casualty insurance companies may be subject to a tax in the nature of an alternative minimum tax on their "net gains from operations," including interest from tax-exempt obligations, for tax years beginning after 1987.

Co-Bond Counsel express no opinion as to the federal income tax exemption of interest on the Bonds in the event that H.R. 3838 is enacted in a manner inconsistent with the Joint Statement or in the event that other legislation affecting the Bonds is enacted; nor do Co-Bond Counsel express any opinion as to whether any particular congressional action with respect to effective dates of H.R. 3838 or the substantive requirements applicable to the Bonds will be enacted into law, or as to any other federal tax consequences of acquiring, owning or disposing of the Bonds.

Senate Finance Committee Bill. On May 7, 1986, the Senate Finance Committee approved tax reform legislation which includes provisions affecting the tax treatment of interest on bonds issued by state or local governmental units. The Finance Committee's bill would reduce the top individual income tax rate to 27 percent and the top corporate income tax rate to 33 percent. In addition, the bill would create a new 20 percent alternative minimum tax on corporations (payable in lieu of the regular tax if the amount of minimum tax exceeds the amount of regular tax) for taxable years beginning after December 31, 1986. The bill would include as a corporate minimum tax preference item 50 percent of the excess of (a) a corporation's pre-tax book income (e.g. the income, including interest on bonds issued by state or local governmental units, used in reports or statements to shareholders/owners, or in reports to creditors) over (b) alternative minimum taxable income (as defined in the bill).

Under the Senate Finance Committee's tax reform legislation, the interest on all bonds issued by state or local governmental units, without regard to the date of issuance of such bonds, would be included in pre-tax book income for purposes of the corporate minimum alternative tax. Accordingly, if the Senate Finance Committee proposal is adopted, interest on the Bonds may be included in a corporate taxpayer's pre-tax book income for purposes of computing its alternative minimum tax.

TAX TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS

In the opinion of Co-Bond Counsel, under both existing law and H.R. 3838 as passed by the U.S. House of Representatives and as approved by the Senate Finance Committee, both of which are subject to change retroactively, and based upon the assumptions hereinafter stated:

(a) The difference between (i) the principal amount payable at the maturity of each Bond scheduled to mature on August 15 in each of the years 1996, 1998, 1999 and 2002 (the "Discount Bonds"), and (ii) the initial offering price to the public of such Bond constitutes original issue discount with respect to such Bond in the hands of an owner who has purchased such Bond in the initial public offering of the Bonds; and

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

In the event of the redemption, sale or other taxable disposition of such Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income.

In rendering the foregoing opinion, Co-Bond Counsel have assumed, in reliance upon certain representations of the Underwriters, that (a) the Underwriters have purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, (b) all of the Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the reverse side of the cover page of this Official Statement, and (c) the respective initial offering prices of the Discount Bonds to the general public are equal to the fair market value thereof. Neither the Board nor Co-Bond Counsel warrant that the Discount Bonds will be offered and sold in accordance with such assumptions.

Under both existing law and H.R. 3838 as passed by the U.S. House of Representatives and as approved by the Senate Finance Committee, the original issue discount on each Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the semiannual anniversary dates of the date of issuance and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price plus the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the sum of the amounts payable as accrued interest during such accrual period in the case of the Discount Bonds.

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

LEGAL INVESTMENTS IN TEXAS

Pursuant to Article 717k-6, Vernon's Texas Civil Statutes, as amended, the Bonds are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries and trustees, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are eligible to secure deposits of public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. No investigation has been made of other laws, regulations or investment criteria which might limit the ability of such institutions or entities to invest in the Bonds, or which might limit the suitability of the Bonds to secure the funds of such entities. No review by the Board has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

RATINGS

Ratings applications have been made to Moody's Investors Service and to Standard & Poor's Corporation for ratings on the Bonds. An explanation of the significance of each such rating, when given, may be obtained from the company furnishing the rating. The ratings will reflect only the views of such organizations at the time such ratings are given, and the Board makes no representation as to

the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of such rating companies, circumstances so warrant. Any such downward revision or withdrawal of either rating may have an adverse effect on the market price of the Bonds.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Board at an aggregate underwriting discount of \$1,435,044 from the initial public offering prices of the Bonds set forth on the reverse side of the cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

OTHER MATTERS

The financial data and other information contained herein have been obtained from the Board's records, financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes and documents contained in this Official Statement are made subject to all of the provisions of such statutes and documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Michael E. Patrick,
Executive Vice
Chancellor for Asset Management,
The University of Texas System

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APPENDIX A
FORM OF OPINION OF CO-BOND COUNSEL

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FORM OF OPINION OF CO-BOND COUNSEL

FULBRIGHT & JAWORSKI

McCALL, PARKHURST
&
HORTON

VINSON & ELKINS

BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1986,
DATED JUNE 1, 1986, IN THE PRINCIPAL AMOUNT OF
\$85,365,000

ACTING COLLECTIVELY AS BOND COUNSEL for the Board of Regents of The University of Texas System (the "Issuer"), the undersigned firms of attorneys, respectively, have examined into the legality and validity of an issue of bonds initially evidenced by the bond described above, which is the "Initial Bond" as defined and designated in the resolution authorizing the issuance of such bonds (the "Bond Resolution"), which Initial Bond has been issued and delivered as a single fully registered bond.

THE INITIAL BOND is payable in principal installments due on August 15 in each of the years 1987 through 1999, and on August 15, 2002, with the unpaid balance of each installment of principal of the Initial Bond bearing interest from June 1, 1986, to the scheduled due date or to the date of prepayment or redemption, at the following rates per annum for each maturity, respectively:

<u>Maturity</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Interest Rate</u>
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Interest on the Initial Bond is payable on February 15, 1987, and semiannually on each August 15 and February 15 thereafter. Installments of principal of the Initial Bond are subject to prepayment or redemption prior to the scheduled maturities, at the option of the Issuer, on August 15, 1996, or on any date thereafter, in accordance with the terms and conditions stated on the face of the Initial Bond. The installment of principal of the Initial Bond that is due and payable on August 15, 2002 is subject to mandatory sinking fund prepayment or redemption prior to its scheduled maturity, on August 15 in each of the years 2000 through 2001, in accordance with the terms and conditions stated on the face of the Initial Bond.

THE INITIAL BOND, at the request of the registered owner, may be transferred and converted into, and/or exchanged for, fully registered bonds with similar characteristics, but having a single stated maturity date, in the denomination of any integral multiple of \$5,000, and such bonds again may be transferred and/or exchanged, all subject to the conditions stated and in the manner provided in the Bond Resolution, with any such bonds that are registered, authenticated, and delivered in accordance with the Bond Resolution being hereinafter called "Definitive Bonds." The Initial Bond and the Definitive Bonds are referred to collectively herein as the "Bonds."

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments relating to the authorization of the Bonds and the issuance and delivery of the Initial Bond, including the executed Initial Bond and a printed specimen of the forms for the Definitive Bonds initially made available by the Issuer for completion and exchange for the Initial Bond, and we

have examined and relied upon the report and mathematical verifications of Ernst & Whinney, certified public accountants, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, and that the Initial Bond has been duly issued and delivered, all in accordance with law; and that, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization, and other similar matters affecting creditors' rights, the covenants and provisions in the Bond Resolution constitute valid and binding obligations of the Issuer, and the Initial Bond constitutes and the Definitive Bonds will constitute valid and legally binding special obligations of the Issuer, secured by and payable from a first lien on and pledge of the "Pledged Revenues," as such term is defined in the Bond Resolution. The Bond Resolution establishes a Reserve Fund for the payment of the principal and interest on the Bonds. The Reserve Fund is being funded, in part, by a surety bond issued by Municipal Bond Insurance Association. Bond Counsel expresses no opinion with respect to the surety bond.

IT IS FURTHER OUR OPINION, relying on the Issuer's No-Arbitrage Certificate of even date herewith, incorporating certain schedules prepared by Morgan Guaranty Trust Company of New York, that the interest on the Bonds is excludable from the gross income (as defined in Section 61 of the Internal Revenue Code of 1954, as amended) of the owners thereof for federal income tax purposes under existing law.

WE CALL YOUR ATTENTION TO THE FACT THAT on December 17, 1985, the U.S. House of Representatives adopted H.R. 3838, which includes proposed amendments to the provisions of the Internal Revenue Code that generally relate to tax-exempt bonds. The proposed amendments as adopted are, in general, to be effective for bonds issued on or after January 1, 1986. On March 14, 1986, however, a joint statement (the "Joint Statement") was made by the chairmen and ranking minority members of the House Committee on Ways and Means and the Senate Committee on Finance and the Secretary of the Treasury, endorsing a postponement until September 1, 1986 (or the date of enactment of tax reform legislation, if earlier), of the application of certain provisions of H.R. 3838. We are of the opinion that, if H.R. 3838 is enacted as passed by the House of Representatives, but with effective dates modified in conformity with the Joint Statement, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes would not be adversely affected, except that interest on Bonds owned by property and casualty insurance companies may be subject to a tax in the nature of an alternative minimum tax on their "net gains from operations," for tax years beginning after 1987.

FURTHERMORE, WE CALL YOUR ATTENTION TO THE FACT THAT, on May 7, 1986, the Senate Finance Committee approved tax reform legislation that would create a new alternative minimum tax on corporations for taxable years beginning after December 31, 1986. The bill would include as a corporate minimum tax preference item a portion of the excess of (i) a corporation's pre-tax book income, including the interest on tax-exempt bonds such as the Bonds, over (ii) alternative minimum taxable income (as defined in the bill).

WE EXPRESS NO OPINION as to the federal income tax exemption of interest on the Bonds in the event that H.R. 3838 is enacted in a manner inconsistent with the Joint Statement or in the event that other legislation affecting the Bonds is enacted; nor do we express any opinion as to whether any particular congressional action with respect to the effective dates of H.R. 3838 or the substantive requirements applicable to the Bonds will be enacted into law, or as to any other federal tax consequences of acquiring, owning or disposing of the Bonds.

THE ISSUER has reserved the right, subject to the restrictions stated in the Bond Resolution, to amend the Bond Resolution with the approval of the owners of fifty-one percent of the aggregate Outstanding Principal Amount (as defined in the Bond Resolution) of all bonds and notes that are secured by and payable from a first lien on and pledge of the Pledged Revenues.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity revenue bonds and notes that also may be secured and payable from a first lien on and pledge of the Pledged Revenues.

THE REGISTERED OWNERS of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than as specified in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exemption of the interest on the Bonds from federal income taxes, and for no other reason or purpose. We have not been requested to investigate or verify, and have not investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

Respectfully,

APPENDIX B
SCHEDULE OF BONDS TO BE REFUNDED

<u>Series</u>	<u>Amounts Outstanding at June 1, 1986</u>	<u>Original Issue Amount</u>
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1971	\$ 34,735,000	\$ 50,000,000
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972	36,495,000	50,000,000
Board of Regents of The University of Texas System General Tuition Revenue Bonds, Series 1972-A	12,630,000	17,000,000
Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1978	<u>22,145,000</u>	<u>32,280,000</u>
TOTAL	<u>\$106,005,000</u>	<u>\$149,280,000</u>

APPENDIX C

**Financial Statements of
The University of Texas System
Fiscal Year Ended August 31, 1985
and
Fiscal Year Ended August 31, 1984**

**Financial Statements of
The University of Texas System Administration
Fiscal Year Ended August 31, 1985
and
Fiscal Year Ended August 31, 1984**

**(Footnotes and schedules referred to in the financial statements
have been intentionally omitted.)**

**THE UNIVERSITY OF TEXAS SYSTEM
BALANCE SHEET
At August 31, 1985 and 1984**

Assets

	1985	Comparative 1984
CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Cash and Reimbursement in Transit (Note A)	\$ 198,914,216	\$ 132,465,092
Balance in State Appropriation	51,183,462	34,247,601
Investments (Note B)	171,148	182,270
Accounts Receivable (Net of \$61,525,505 Allowance in 1985)	56,149,715	47,870,528
Accrued Interest Receivable	1,079,630	1,268,139
Other Receivables and Prepayments	600,301	15,085
Due from Other Funds	15,088,887	13,376,737
Inventories (Note K)	16,203,339	16,337,468
Deposits	78,452	73,277
Prepaid Expenses	2,666,751	2,145,000
Total General	<u>342,135,901</u>	<u>247,981,349</u>
DESIGNATED		
Cash (Note A)	239,660,595	203,002,439
Investments (Note B)	259,700	
Accounts Receivable (Net of \$827,402 Allowance in 1985)	3,059,350	2,901,698
Accrued Interest Receivable	1,427,033	1,570,393
Other Receivables and Prepayments	121,199	251
Due from Other Funds	31,759,944	40,247,143
Inventories (Note K)	10,499,150	10,084,565
Deposits	11,566	9,482
Prepaid Expenses	1,247,309	627,491
Total Designated	<u>288,045,846</u>	<u>258,443,462</u>
AUXILIARY ENTERPRISES		
Cash (Note A)	53,503,906	54,468,833
Investments (Note B)	63,067	244,306
Accounts Receivable, Notes Receivable and Prepayments	3,252,464	2,996,753
Accrued Interest Receivable	305,782	391,774
Inventories (Note K)	10,535,853	10,944,160
Total Auxiliary Enterprises	<u>67,661,072</u>	<u>69,045,826</u>
Total Unrestricted	<u>697,842,819</u>	<u>575,470,637</u>
RESTRICTED		
Cash (Note A)	108,094,477	98,305,157
Investments (Note B)	4,817,689	437,252
Federal Accounts Receivable	17,066,025	11,877,148
Other Accounts Receivable	11,114,312	8,960,663
Accrued Interest Receivable	440,117	505,344
Other Receivables and Prepayments	2,161,412	1,924,291
Federal Contract and Grant Awards	161,654,458	148,157,919
Non-Federal Contract and Grant Awards	29,054,284	25,196,004
Due from Other Funds	16,970	
Funds Held by Sealy and Smith Foundation (Note D)	14,232	13,415
Total Restricted	<u>334,433,976</u>	<u>295,377,193</u>
Total Current Funds	<u>\$1,032,276,795</u>	<u>\$ 870,847,830</u>

Liabilities and Fund Balances

	1985	Comparative 1984
CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Accounts Payable	\$ 38,459,899	\$ 30,508,908
Due to Other Funds	9,464,762	8,228,748
Deposits and Deferred Revenue	5,405,803	4,096,288
Fund Balances		
Allocated	266,353,179	187,733,576
Unallocated	<u>22,452,258</u>	<u>17,413,829</u>
Total General	<u>342,135,901</u>	<u>247,981,349</u>
DESIGNATED		
Accounts Payable	7,088,781	6,208,625
Accrued Compensable Absences (Note J)	45,634,248	39,368,813
Due to Other Funds	3,071	
Deposits and Deferred Revenue	24,185,955	15,823,105
Fund Balances	<u>211,133,791</u>	<u>197,042,522</u>
Total Designated	<u>288,045,846</u>	<u>258,443,462</u>
AUXILIARY ENTERPRISES		
Accounts Payable	3,730,662	4,090,638
Due to Other Funds	1,063,057	1,374,560
Deposits and Deferred Revenue	15,397,511	18,307,105
Fund Balances	<u>47,469,842</u>	<u>45,273,523</u>
Total Auxiliary Enterprises	<u>67,661,072</u>	<u>69,045,826</u>
Total Unrestricted	<u>697,842,819</u>	<u>575,470,637</u>
RESTRICTED		
Accounts Payable	3,904,912	3,079,010
Due to Other Funds	1,734,882	3,002,845
Deferred Revenue	655	18,800
Fund Balances (Unearned)	<u>328,793,527</u>	<u>289,276,538</u>
Total Restricted	<u>334,433,976</u>	<u>295,377,193</u>
Total Current Funds	<u>\$1,032,276,795</u>	<u>\$ 870,847,830</u>

**THE UNIVERSITY OF TEXAS SYSTEM
BALANCE SHEET
At August 31, 1985 and 1984**

Assets

	1985	Comparative 1984
LOAN FUNDS		
Cash (Note A)	\$ 4,155,856	\$ 3,839,791
Investments (Note B)	132,575	133,747
Federal Accounts Receivable	197,563	316,477
Other Accounts Receivable	38,176	33,515
Accrued Interest Receivable	16,497	21,649
Notes Receivable (Net of \$3,497,461 Allowance in 1985)	48,234,135	44,584,124
Other Receivables	108,775	76,621
Federal Contract and Grant Awards	569,890	474,814
Due from Other Funds	3,566	512
Deposits	25,615	25,615
Total Loan Funds	\$ 53,482,648	\$ 49,506,000
ENDOWMENT AND SIMILAR FUNDS		
STATE (Permanent University Fund) (Note C)		
Cash (Note A)	\$ 15,902,215	\$ 6,701,296
Investments (Note B)	2,310,999,873	2,085,847,584
Total State	2,326,902,088	2,092,548,880
OTHER THAN STATE		
Cash (Note A)	4,548,772	6,533,549
Investments (Note B)	375,264,982	311,834,130
Accounts Receivable	603,504	147,710
Accrued Interest Receivable	73	747
Funds Held by Sealy and Smith Foundation (Note D)	1,016,131	940,635
Total Other Than State	381,433,462	319,456,771
Total Endowment and Similar Funds	\$2,708,335,550	\$2,412,005,651
ANNUITY AND LIFE INCOME FUNDS		
Cash (Note A)	\$ 41,490	\$ 252,349
Investments (Note B)	4,385,781	3,974,133
Total Annuity and Life Income Funds	\$ 4,427,271	\$ 4,226,482
AVAILABLE UNIVERSITY FUND		
Cash (Note A)	\$ 69,581,294	\$ 72,726,752
Investments (Note B)	86,100	86,100
Due from Other Funds	199,141	152,623
Total Available University Fund	\$ 69,866,535	\$ 72,965,475

Liabilities and Fund Balances

	1985	Comparative 1984
LOAN FUNDS		
Accounts Payable	\$ 21,283	\$ 13,300
Fund Balances		
U. S. Government Grants Refundable	41,421,926	38,398,259
University Funds	<u>12,039,439</u>	<u>11,095,306</u>
Total Loan Funds	<u>\$ 53,482,648</u>	<u>\$ 49,506,865</u>
ENDOWMENT AND SIMILAR FUNDS		
STATE (Permanent University Fund)		
Fund Balance		
Endowment	<u>\$2,326,902,088</u>	<u>\$2,092,548,880</u>
Total State	<u>2,326,902,088</u>	<u>2,092,548,880</u>
OTHER THAN STATE		
Notes Payable (Note E)	4,000	16,000
Deposits	500	500
Fund Balances		
Endowment	323,838,208	288,865,479
Term Endowment	355,712	351,110
Quasi-Endowment	<u>57,235,042</u>	<u>30,223,682</u>
Total Other Than State	<u>381,433,462</u>	<u>319,456,771</u>
Total Endowment and Similar Funds	<u>\$2,708,335,550</u>	<u>\$2,412,005,651</u>
ANNUITY AND LIFE INCOME FUNDS		
Accounts Payable	\$	\$ 4,360
Fund Balances	<u>4,427,271</u>	<u>4,222,122</u>
Total Annuity and Life Income Funds	<u>\$ 4,427,271</u>	<u>\$ 4,226,482</u>
AVAILABLE UNIVERSITY FUND		
Due to the Texas A&M University System	\$ 1,345,935	\$ 1,124,483
Accounts Payable	195,348	77,692
Due to Other Funds	52,756,171	69,315,726
Fund Balance (Restricted)	<u>15,569,081</u>	<u>2,447,574</u>
Total Available University Fund	<u>\$ 69,866,535</u>	<u>\$ 72,965,475</u>

**THE UNIVERSITY OF TEXAS SYSTEM
BALANCE SHEET
At August 31, 1985 and 1984**

Assets

	1985	Comparative 1984
PLANT FUNDS		
UNEXPENDED		
Cash (Note A)	\$ 168,256,910	\$ 172,134,398
Balance in State Appropriation	6,760,206	22,444,559
Investments (Note B)	40,478,550	54,451,054
Accounts Receivable	1,353,944	2,148,730
Accrued Interest Receivable	879,841	1,427,869
Non-Federal Grants Receivable	11,338,588	14,225,205
Due from Other Funds	18,152,576	28,298,047
Due from Private Grantors	<u>1,374,958</u>	<u>2,801,747</u>
Total Unexpended	<u>248,595,573</u>	<u>297,931,609</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Cash (Note A)	10,403,107	7,676,614
Accrued Interest Receivable	<u>31,950</u>	<u>33,317</u>
Total Funds for Renewals and Replacements	<u>10,435,057</u>	<u>7,709,931</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Cash (Note A)	26,038,403	19,856,179
Investments (Note B)	84,354,818	90,853,915
Accounts Receivable	<u>1,474,375</u>	<u> </u>
Total Funds for Retirement of Indebtedness	<u>111,867,596</u>	<u>110,710,094</u>
INVESTMENT IN PLANT		
Land	90,304,955	88,889,405
Buildings	1,444,765,687	1,379,079,767
Improvements Other Than Buildings	144,138,053	124,466,774
Equipment	701,999,386	612,064,144
Library Books	163,133,404	155,042,533
Construction in Progress	<u>205,251,194</u>	<u>148,259,173</u>
Total Investment in Plant	<u>2,749,592,679</u>	<u>2,507,801,796</u>
Total Plant Funds	<u>\$3,120,490,905</u>	<u>\$2,924,153,430</u>
AGENCY FUNDS		
Cash (Note A)	\$ 33,523,135	\$ 32,714,505
Investments (Note B)	71,668,823	10,803,406
Accounts Receivable and Prepayments	932,898	930,293
Accrued Interest Receivable	48,774	21,723
Real Estate	<u>227,769</u>	<u>227,769</u>
Total Agency Funds	<u>\$ 46,401,399</u>	<u>\$ 44,697,696</u>

Liabilities and Fund Balances

	1985	Comparative 1984
PLANT FUNDS		
UNEXPENDED		
Accounts Payable	\$ 15,499,674	\$ 11,395,946
Retainage Payable	8,503,560	5,396,685
Due to Other Funds		560
Bonds Payable (Note E)	47,847,828	52,410,647
Fund Balances		
Restricted	68,498,343	85,131,008
Unrestricted	<u>108,246,168</u>	<u>143,596,763</u>
Total Unexpended	<u>248,595,573</u>	<u>297,931,609</u>
FUNDS FOR RENEWALS AND REPLACEMENTS		
Fund Balances		
Restricted	1,368,516	1,413,472
Unrestricted	<u>9,066,541</u>	<u>6,296,459</u>
Total Funds for Renewals and Replacements	<u>10,435,057</u>	<u>7,709,931</u>
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Due to Other Funds	199,141	152,623
Fund Balances		
Restricted	<u>111,668,455</u>	<u>110,557,471</u>
Total Funds for Retirement of Indebtedness	<u>111,867,596</u>	<u>110,710,094</u>
INVESTMENT IN PLANT		
Bonds, Notes, and Other Payables (Note E)	729,718,678	696,902,540
Net Investment in Plant	<u>2,019,874,001</u>	<u>1,810,899,256</u>
Total Investment in Plant	<u>2,749,592,679</u>	<u>2,507,801,796</u>
Total Plant Funds	<u>\$3,120,490,905</u>	<u>\$2,924,153,430</u>
AGENCY FUNDS		
Accounts Payable	\$ 350,863	\$ 158,149
Deposits	4,638	1,500
Investment in Plant	227,769	227,769
Deposits Held in Custody for Others	<u>45,818,129</u>	<u>44,310,278</u>
Total Agency Funds	<u>\$ 46,401,399</u>	<u>\$ 44,697,696</u>

The accompanying Notes to the Financial Statements and Summary of Significant Accounting Policies are an integral part of the financial statements.

THE UNIVERSITY OF TEXAS SYSTEM
STATEMENT OF CHANGES IN FUND BALANCES
For The Years Ended August 31, 1985 and 1984

	CURRENT FUNDS			RESTRICTED	
	General	Designated	UNRESTRICTED FUNDS Auxiliary Enterprises		Total Unrestricted
BALANCES, September 1, 1984	\$ 205,147,405	\$ 197,042,522	\$ 45,273,523	\$ 447,463,450	\$ 289,276,538
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Fund Revenues	1,137,251,498	250,134,823	141,885,517	1,529,271,838	
State Appropriations - Restricted					130,031,374
Federal Grants and Contracts - Restricted					239,277,427
State Grants and Contracts - Restricted					17,929,956
Local Grants and Contracts - Restricted					6,974,481
Private Gifts, Grants and Contracts - Restricted					92,956,920
Proceeds from Sale of Bonds					30,422,148
Investment Income					
Realized Gains on Investments					
Interest on Loans Receivable					
U.S. Government Advances					
Expended for Plant Facilities (Including \$80,480,195 Charged to Current Fund Expenditures)	18,456,575			18,456,575	
Medicare and Medicaid Cost Adjustment					
Net Change in Bonds, Notes, and Other Payables					
Lease Purchases Capitalized (Note L)					
Other Additions	29,279	2,779,138		2,808,417	6,049,168
Total Revenues and Other Additions	1,155,737,352	252,913,961	141,885,517	1,550,536,830	523,641,474
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures	1,125,999,227	186,041,621	124,778,507	1,436,819,355	421,346,375
Appropriations Lapsed	8,509,347			8,509,347	
Indirect Costs Recovered					47,677,901
Refunded to Grantor					6,195,253
Loan Cancellations and Write-Offs					
Administrative and Collection Costs					
Realized Losses on Investments					509
Expended for Plant Facilities					
Retirement of Indebtedness and Interest Paid					
Disposal of Plant Facilities					
Net Change in Bonds, Notes, and Other Payables (Note L)					
Other Deductions	592,837	1,819,905	69,353	2,482,095	3,917,188
Total Expenditures and Other Deductions	1,135,101,411	187,861,526	124,847,860	1,447,810,797	479,137,226
TRANSFERS					
MANDATORY					
To General Funds (Tuition)	13,601,508	(13,601,508)			
To Retirement of Indebtedness Funds					
Permanent University Fund Bonds					
General Tuition Revenue Bonds		(8,000,000)		(8,000,000)	
Other Revenue Bonds		(14,679,279)	(5,752,150)	(20,431,429)	
To Renewals and Replacement Funds			(155,728)	(155,728)	
Loan Funds Matching Grants		(57,564)		(57,564)	(28,620)
Endowment and Similar Funds		(21,117,672)	(12,000)	(21,129,672)	
NON-MANDATORY					
Between Funds	49,421,232	5,825,755	(8,921,460)	46,325,527	(4,935,589)
From (To) Agency Funds	(649)	669,102		668,453	(23,050)
Total Transfers	63,022,091	(50,961,166)	(14,841,338)	(2,780,413)	(4,987,259)
Net Increase (Decrease) for the Year	83,658,032	14,091,269	2,196,319	99,945,620	39,516,990
BALANCES, August 31, 1985	\$ 288,805,437	\$ 211,133,791	\$ 47,469,842	\$ 547,409,070	\$ 328,793,527

LOAN FUNDS	ENDOWMENT AND State	SIMILAR FUNDS Other Than State	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUND	PLANT FUNDS			Investment in Plant
					Unexpended	Renewals and Replacements	Retirement of Indebtedness	
\$49,493,565	\$2,092,548,880	\$319,440,271	\$4,222,122	\$ 2,447,574	\$228,727,771	\$ 7,709,931	\$110,557,471	\$1,810,899,256
							1,079,260	
354								
200,773		28,772,770	12,469		14,629,000		1,300,000	10,286,021
486,382	138,038,973	2,512,791	401,947	126,132,344	67,000,000	458,532	12,735,380	
812,640	96,314,235	5,546,071	44,840		20,741,506		4,637	
2,904,033								
								250,469,751
					4,562,818			
311,796		54,354	1		3,878,150		834,073	4,281,116
								8,612,793
4,715,978	234,353,208	36,885,986	459,257	126,132,344	110,811,474	458,532	15,953,350	273,649,681
			253,023	831,691	8,081,928		5,755	
					962			
30,000								
385,485								
43,046								
		907,385	1,085		169,792,951		138,149	
							87,835,858	
								18,712,129
549,197		793,981			3,054,250			32,816,138
								13,146,669
1,007,728		1,701,366	254,108	831,691	180,930,091		87,979,762	64,674,936
					(39,265,636)		39,265,636	
					(4,220,310)		8,000,000	
		(953,652)					25,605,391	
86,184						155,728		
		21,129,672						
173,366		6,617,304		(68,693,200)	18,135,357	2,110,866	266,369	
		10,747						
259,550		26,804,071		(112,179,146)	18,135,357	2,266,594	73,137,396	
3,967,800	234,353,208	61,988,691	205,149	13,121,507	(51,983,260)	2,725,126	1,110,984	208,974,117
\$53,461,365	\$2,326,902,088	\$381,428,962	\$4,427,271	\$ 15,569,081	\$176,744,511	\$10,435,057	\$111,668,455	\$2,019,811,117

The accompanying Notes to the Financial Statements and Summary of Significant Accounting Policies are an integral part of the financial statements.

THE UNIVERSITY OF TEXAS SYSTEM
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For The Years Ended August 31, 1985 and 1984

	General
CURRENT REVENUES	
Tuition and Fees	\$ 7,936,617
State Appropriations	875,765,804
Federal Grants and Contracts	39,147,528
State Grants and Contracts	478,038
Local Grants and Contracts	112,456
Private Gifts, Grants and Contracts	5,057,857
Endowment Income	
Sales and Services of Hospitals	184,407,171
Sales and Services of Educational Activities	5,037,717
Sales and Services of Auxiliary Enterprises	
Professional Fees	
Other Sources	
	19,308,310
Total Current Revenues	<u>\$1,137,251,498</u>
AVAILABLE UNIVERSITY FUND INCOME (Note M)	<u>\$ 48,840,331</u>
CURRENT EXPENDITURES	
EDUCATIONAL AND GENERAL	
Instruction	\$ 405,632,604
Research	54,706,842
Public Service	3,711,988
Hospitals	297,632,784
Academic Support	64,870,407
Student Services	15,212,234
Institutional Support	89,006,411
Operation and Maintenance of Plant	182,449,739
Scholarships and Fellowships	12,776,218
	1,125,999,227
Total Educational and General	<u>1,125,999,227</u>
AUXILIARY ENTERPRISES	
Total Current Expenditures	<u>\$1,125,999,227</u>

Designated	UNRESTRICTED		RESTRICTED	TOTAL 1985	Comparative 1984
	Auxiliary Enterprises	Total Unrestricted			
\$ 40,734,642	\$ 20,068,713	\$ 68,739,972	\$	\$ 68,739,972	\$ 64,924,284
2,846,516		875,765,804	\$ 130,031,374	1,005,797,178	928,048,373
3,514		41,994,044	175,244,653	217,238,697	188,382,504
177		481,552	16,702,289	17,183,841	15,928,183
9,646,436	728,800	112,633	5,569,594	5,682,227	4,765,859
4,115,318		15,433,093	73,971,606	89,404,699	85,348,824
1,848,154		4,115,318	14,390,583	18,505,901	14,924,050
32,466,922		186,255,325		186,255,325	167,964,328
140,547	115,625,228	37,504,639		37,504,639	34,191,287
127,192,673		115,765,775		115,765,775	102,697,168
31,139,924	5,462,776	127,192,673	5,436,276	127,192,673	117,668,221
		55,911,010		61,347,286	55,437,913
<u>\$ 250,134,823</u>	<u>\$ 141,885,517</u>	<u>\$1,529,271,838</u>	<u>\$ 421,346,375</u>	<u>\$1,950,618,213</u>	<u>\$1,780,280,994</u>
<u>\$</u>	<u>\$</u>	<u>\$ 48,840,331</u>	<u>\$</u>	<u>\$ 48,840,331</u>	<u>\$ 44,011,853</u>
\$ 97,217,797	\$	\$ 502,850,401	\$ 98,151,085	\$ 601,001,486	\$ 571,045,186
9,720,977		64,427,819	202,811,240	267,239,059	238,315,649
9,853,662		13,565,650	19,693,659	33,259,309	32,281,790
36,003,222		333,636,006	30,170,479	363,806,485	338,695,265
3,023,060		67,893,467	12,912,468	80,805,935	76,867,343
5,515,169		20,727,403	6,616,676	27,344,079	25,109,729
22,161,713		111,168,124	18,336,264	129,504,388	127,228,981
866,389		183,316,128	10,945,798	194,261,926	187,878,513
1,262,510		14,038,728	18,359,512	32,398,240	28,421,126
<u>185,624,499</u>		<u>1,311,623,726</u>	<u>417,997,181</u>	<u>1,729,620,907</u>	<u>1,625,843,582</u>
<u>417,122</u>	<u>124,778,507</u>	<u>125,195,629</u>	<u>3,349,194</u>	<u>128,544,823</u>	<u>116,490,743</u>
<u>\$ 186,041,621</u>	<u>\$ 124,778,507</u>	<u>\$1,436,819,355</u>	<u>\$ 421,346,375</u>	<u>\$1,858,165,730</u>	<u>\$1,742,334,325</u>

EXHIBIT A
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
BALANCE SHEET
As August 31, 1985

Assets

CURRENT FUNDS		
UNRESTRICTED		
GENERAL		
Balance in State Appropriation (Schedule A-2)	\$	2,619.22 \$
Due from Available University Fund		1,049,864.28
Due from U. T. Austin		<u>551.46</u>
 Total General		 1,053,034.96
DESIGNATED		
Cash on Hand (Schedule A-1)		99,488.89
Cash in Bank (Schedule A-1)		
Demand Accounts	313,534.09	
Time Deposits	<u>17,321,026.50</u>	17,636,560.59
Investments		259,700.00
Accounts Receivable		238,934.30
Accrued Interest Receivable		<u>156,261.38</u>
 Total Designated		 <u>18,388,925.16</u>
Total Unrestricted		19,441,960.12
RESTRICTED		
Cash on Hand (Schedule A-1)		100.00
Cash in Bank (Schedule A-1)		
Demand Accounts	343,184.57	
Time Deposits	<u>4,988,770.67</u>	5,331,955.24
Investments (Schedule A-3)		4,815,005.10
Accounts Receivable		4,318.19
Accrued Interest Receivable		2,848.17
Prepaid Expenses		<u>235,651.00</u>
 Total Restricted		 <u>10,390,077.70</u>
TOTAL CURRENT FUNDS		\$ <u>29,832,037.82</u>
ENDOWMENT AND SIMILAR FUNDS		
STATE (PERMANENT UNIVERSITY FUND)		
Cash with State Treasurer (Schedule A-1)		15,902,214.89
Investments (Schedule A-3)		<u>2,310,999,873.37</u>
Total State		\$ 2,326,902,088.26
OTHER THAN STATE		
Cash on Hand (Schedule A-1)		364,145.59
Cash in Banks (Schedule A-1)		
Demand Accounts	61,695.06	
Time Deposits	<u>4,122,931.72</u>	4,184,626.78
Investments (Schedule A-3)		375,264,982.38
Accounts Receivable		603,504.41
Accrued Interest Receivable		<u>72.68</u>

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(Continued on next page)

Liabilities and Fund Balance

CURRENT FUNDS

UNRESTRICTED

GENERAL

Accounts Payable	\$	\$	170,806.76	\$
Fund Balances				
Allocated				
Provisions for Orders and Contracts Outstanding		332,190.44		
Provisions for Balances Subject to Reappropriation ..		<u>550,037.76</u>	<u>882,228.20</u>	

Total General				1,053,034.96
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DESIGNATED

Accounts Payable			78,670.63	
Due to Component Institutions - The University of Texas				
at Arlington		401.43		
at San Antonio		514.55		
System Cancer Center		397.15		
Health Science Center at San Antonio		576.94		
Medical Branch at Galveston		<u>88.00</u>	<u>1,978.07</u>	
Fund Balances (Schedule B-1)				
Allocated				
Provisions for Orders and Contracts Outstanding		56,527.19		
Unallocated		<u>18,251,749.27</u>	<u>18,308,276.46</u>	

Total Designated				<u>18,388,925.16</u>
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Total Unrestricted				19,441,960.12
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RESTRICTED

Accounts Payable			10,060.14	
Due to Component Institutions - The University of Texas				
at Arlington		42,153.17		
at Dallas		398,261.27		
at El Paso		273,714.60		
of the Permian Basin		49,675.11		
at San Antonio		43,704.71		
at Tyler		213,131.24		
Institute of Texas Cultures at San Antonio		373.81		
Health Science Center at Dallas		1,067,302.09		
Medical Branch at Galveston		387,510.30		
Health Science Center at Houston		84,177.56		
Health Science Center at San Antonio		106,358.21		
System Cancer Center		1,164,714.56		
Health Center at Tyler		<u>542.28</u>	<u>3,831,618.91</u>	
Fund Balance (Unearned) (Schedule B-3)				
Allocated				
Provisions for Orders and Contracts Outstanding		10,749.31		
Unallocated		<u>6,537,649.34</u>	<u>6,548,398.65</u>	

Total Restricted				<u>10,390,077.70</u>
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TOTAL CURRENT FUNDS				<u>\$ 29,832,037.82</u>
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ENDOWMENT AND SIMILAR FUNDS

STATE (PERMANENT UNIVERSITY FUND)

Fund Balance (Schedule B-5)			<u>2,326,902,088.26</u>	
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Total State				\$ 2,326,902,088.26
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OTHER THAN STATE

Notes Payable			4,000.00	
Deposits			500.00	

Fund Balance (Schedule B-6)

Funds Held for Component Institutions - The University of Texas				
at Arlington		2,255,764.24		
at Austin		191,798,294.99		
at Dallas		21,013,498.23		
at El Paso		14,155,116.26		
of the Permian Basin		2,622,328.21		
at San Antonio		1,922,209.29		
at Tyler		<u>12,208,716.19</u>		

(Continued on next page)

EXHIBIT A (Continued)

Assets

OTHER THAN STATE (Continued)

Total Other Than State	\$	\$	\$ 380,417,331.84
TOTAL ENDOWMENT AND SIMILAR FUNDS			<u>\$ 2,707,319,420.10</u>

ANNUITY AND LIFE INCOME FUNDS

Cash in Bank (Schedule A-1)			
Demand Accounts	622.36		
Time Deposits	<u>40,868.36</u>	41,490.72	
Investments (Schedule A-3)		<u>4,385,780.70</u>	

TOTAL ANNUITY AND LIFE INCOME FUNDS			<u>\$ 4,427,271.42</u>
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AVAILABLE UNIVERSITY FUND

Cash on Hand (Schedule A-1)		26,621.27	
Cash with State Treasurer (Schedule A-1)		69,554,671.93	
Investments (Schedule A-3)		86,100.00	
Due from Retirement of Indebtedness Funds		<u>199,141.60</u>	

TOTAL AVAILABLE UNIVERSITY FUND			<u>\$ 69,866,534.80</u>
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PLANT FUNDS

UNEXPENDED			
Cash in Banks (Schedule A-1)			
Demand Accounts	501,487.38		
Time Deposits	<u>32,931,004.60</u>	33,432,491.98	
Accounts Receivable		423,800.84	
Accrued Interest Receivable		<u>251,390.12</u>	

Liabilities and Fund Balance

OTHER THAN STATE (Continued)		
Institute of Texan Cultures at San Antonio	\$ 377,242.98	\$
Health Science Center at Dallas	18,790,574.65	
Medical Branch at Galveston	17,284,708.11	
Health Science Center at Houston	4,428,811.48	
Health Science Center at San Antonio	5,277,043.72	
System Cancer Center	51,278,225.43	
Tyler Health Center	<u>25,000.00</u>	
	<u>343,435,533.78</u>	
Fund Balances - System Administration		
Endowment Funds	25,674,267.97	
Term Endowment Funds	11.00	
Quasi-Endowment Funds	<u>11,303,019.09</u>	
	<u>36,977,298.06</u>	<u>380,412,831.84</u>
Total Other Than State		<u>380,417,331.84</u>
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>\$ 2,707,319,420.10</u>
ANNUITY AND LIFE INCOME FUNDS		
Fund Balances (Schedule B-7)		
Funds Held for Component Institutions - The University of Texas		
at Austin	737,390.45	
at El Paso	11,462.50	
Medical Branch at Galveston	3,074,610.66	
System Cancer Center	<u>456,659.15</u>	4,280,122.76
Fund Balance - System Administration		<u>147,148.66</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS		<u>\$ 4,427,271.42</u>
AVAILABLE UNIVERSITY FUND		
Accounts Payable		195,347.94
Due to Texas A & M System		1,345,934.61
Due to General Current Funds		1,049,864.28
Due to The University of Texas at Austin		51,706,307.39
Fund Balances (Schedule B-8)		
Provisions for Real Estate	86,100.00	
Provisions for Orders and Contracts Outstanding	303,830.56	
Provisions for Possible Losses Under \$100,000.00		
Deductible Clause of Blanket System-wide Fire and Extended Coverage Insurance Policy	100,000.00	
Provisions for Balances Subject to Reappropriation	14,976,813.73	
Unappropriated Balance	<u>102,336.29</u>	<u>15,569,080.58</u>
TOTAL AVAILABLE UNIVERSITY FUND		<u>\$ 69,866,534.80</u>
PLANT FUNDS		
UNEXPENDED		
Accounts Payable		7,917.70
Due to Component Institutions from Permanent University Fund Bond Proceeds - The University of Texas		
at Austin	13,239,078.52	
at El Paso	774,333.34	
Health Science Center at Dallas	2,057,884.31	
Medical Branch at Galveston	1,645,584.94	
Health Science Center at Houston	162,545.21	
System Cancer Center	<u>6,000,000.00</u>	23,879,426.32
Due to U. T. Austin from Interest on Permanent University Fund Bond Proceeds		3,800,711.18
Bonds Payable (Schedule A-4)		210,635.45
Fund Balances (Schedule B-9)		
Restricted		
Balances Reappropriated	600,741.72	
Unappropriated	<u>3,368,306.25</u>	
	<u>3,969,047.97</u>	

(Continued on next page)

EXHIBIT A (Continued)

Assets

UNEXPENDED (Continued)

Total Unexpended	\$	\$	\$ 34,107,682.94
FUNDS FOR RETIREMENT OF INDEBTEDNESS			
Cash in Banks (Schedule A-1)			
Demand Accounts		3,848.63	
Time Deposits		<u>23,725,876.75</u>	23,729,725.38
Cash with State Treasurer (Schedule A-1)			2,308,677.85
Investments (Schedule A-3)			84,354,817.80
Accounts Receivable			<u>1,474,375.00</u>
Total Retirement of Indebtedness			111,867,596.03
INVESTMENT IN PLANT			
Land		1,855,966.29	
Buildings		8,556,024.33	
Improvements Other Than Buildings		779,712.55	
Equipment		5,245,559.47	
Construction in Progress		1,116,319.99	
Proceeds of Bonds Payable Invested in Plant of Component Institutions		<u>412,722,466.26</u>	
Total Investment in Plant			<u>430,276,248.89</u>
TOTAL PLANT FUNDS			<u>\$ 576,251,527.86</u>
AGENCY FUNDS			
Cash on Hand (Schedule A-1)			80,000.00
Cash in Banks (Schedule A-1)			
Demand Accounts		150,787.19	
Time Deposits		<u>662,311.21</u>	813,098.40
Investments (Schedule A-3)			10,974,171.78
Accrued Interest Receivable			<u>637.58</u>
TOTAL AGENCY FUNDS			<u>\$ 11,867,907.76</u>

Liabilities and Fund Balance

UNEXPENDED (Continued)		
Unrestricted		
Provision for Orders and Contracts Outstanding	\$ 78,300.04	\$
Balances Reappropriated	543,984.66	
Unappropriated	<u>1,617,659.62</u>	
	<u>2,239,944.32</u>	<u>6,208,992.29</u>
Total Unexpended		34,107,682.94
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Due to Available University Fund		199,141.60
Fund Balance (Schedule B-11)		
Funds Held for Component Institutions - The University of Texas		
at Arlington	3,850,448.84	
at Austin	33,428,288.00	
at Dallas	2,240,676.67	
at El Paso	3,675,344.43	
at San Antonio	2,793,768.91	
at Tyler	175,874.91	
Medical Branch at Galveston	16,827,873.85	
Health Science Center at Houston	2,421,888.90	
System Cancer Center	<u>30,471,595.10</u>	
Total Funds Held for Component Institutions		95,885,759.61
Fund Balance - System Administration Restricted		<u>15,782,694.82</u>
Total Retirement of Indebtedness		111,867,596.03
INVESTMENT IN PLANT		
Bonds Payable (Schedule A-4)		
Permanent University Fund Bonds	308,854,364.55	
General Tuition Revenue Bonds	<u>111,165,000.00</u>	
Total Bonds Payable		420,019,364.55
Net Investment in System Administration Plant (Schedule B-12)		<u>10,256,884.34</u>
Total Investment in Plant		<u>430,276,248.89</u>
TOTAL PLANT FUNDS		<u>\$ 576,251,527.86</u>
AGENCY FUNDS		
Accounts Payable		147,427.73
Deposits		1,500.00
Deposits Held in Custody for Others (Schedule A-5)		
Net Fund Balance		<u>11,718,980.03</u>
TOTAL AGENCY FUNDS		<u>\$ 11,867,907.76</u>

EXHIBIT B
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1985

	CURRENT FUNDS			RESTRICTED FUNDS	ENDOWMENT AND SIMILAR FUNDS State
	UNRESTRICTED FUNDS		Total Unrestricted		
	General	Designated			
FUND BALANCES, September 1, 1984 ...	\$ 634,674.02	\$ 17,018,508.03	\$ 17,653,182.05	\$ 5,905,479.10	\$ 2,092,548,880.48
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds					
Revenues	3,173,583.00	2,796,075.53	5,969,658.53		
State Appropriations - Restricted				1,069,527.07	
Federal Grants and Contracts - Restricted					
Private Gifts, Grants, and Contracts - Restricted				229,041.83	
Proceeds From the Sale of Bonds ..					
Investment Income				3,312,651.42	138,038,972.78
Available University Fund Income ..					
Realized Gain on Investments					96,314,235.00
Expended for Plant Facilities (Including \$163,661.33 charged to Current Fund Expenditures)					
Proceeds of Bonds Payable Invested in Plant of Component Institutions during Fiscal Year 1984					
Other Additions		1,503,805.25	1,503,805.25	41,415.00	
Total Revenues and Other Additions	3,173,583.00	4,299,880.78	7,473,463.78	4,652,635.32	234,353,207.78
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures	5,452,425.83	4,199,726.07	9,652,151.90	3,488,202.84	
Appropriations Lapsed	5.99		5.99		
Realized Losses on Investments				508.65	
Expended for Plant Facilities					
Retirement of Indebtedness and Interest Paid					
Disposal of Plant Facilities					
Reclassification To Other Component Institutions					
Net Change in Bonds Payable					
Other Deductions		265,000.00	265,000.00	13,513.17	
Total Expenditures and Other Deductions	5,452,431.82	4,464,726.07	9,917,157.89	3,502,226.66	
TRANSFERS					
Mandatory:					
From Component Institutions					
General Tuition Revenue					
Bonds					
To Component Institutions					
Principal and Interest					
Permanent University Fund					
Bonds					
Non-Mandatory:					
Between Funds					
To General Current Funds	2,526,403.00		2,526,403.00		
To Available University Fund					
To Designated Funds		654,613.72	654,613.72		
To Endowment and Similar Funds Between Component Institu- tions				(16,600.00)	
From Component Institu- tions		800,000.00	800,000.00	8,508.30	
To Component Institutions ..				(499,399.41)	
Transfer Reclassifica- tions - From (to) Funds Held for Component Institutions					
Total Transfers	2,526,403.00	1,454,613.72	3,981,016.72	(507,491.11)	

(Continued on next page)

ENDORSEMENT AND SIMILAR FUNDS Other Than State	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUNDS	PLANT FUNDS		
			Unexpended	Retirement of Indebtedness	Investment in Plant
<u>\$ 318,499,634.74</u>	<u>\$ 4,222,122.82</u>	<u>\$ 2,447,574.42</u>	<u>\$ 7,810,795.04</u>	<u>\$ 110,526,770.54</u>	<u>\$ 9,717,745.45</u>
				1,079,260.00	
28,772,773.01	12,468.75		200,000.00	1,300,000.00	
2,512,790.94	401,946.82		54,000,000.00		
		126,132,344.14	3,137,596.97	12,735,379.50	
3,456,318.08	44,840.07			4,636.73	
					410,679.18
	1.00		3,193.00	834,072.91	31,242,952.37
					158,477.51
<u>36,741,882.03</u>	<u>459,256.64</u>	<u>126,132,344.14</u>	<u>57,340,789.97</u>	<u>15,953,349.14</u>	<u>31,812,109.06</u>
	253,022.93	831,691.15	152,827.15	5,754.89	
894,204.16	1,085.11		75,396.08	138,148.59	
				87,821,231.21	23,360.40
			33,271,669.08		31,242,952.37
<u>784,074.67</u>			<u>187,047.63</u>		<u>6,657.40</u>
<u>1,678,278.83</u>	<u>254,108.04</u>	<u>831,691.15</u>	<u>33,686,939.94</u>	<u>87,965,134.69</u>	<u>31,272,970.17</u>
		(4,220,310.00)		8,000,000.00	
		(39,265,636.46)		39,265,636.46	
		(2,526,403.00)			
16,600.00					
50,000.00	23.54 (23.54)	(66,166,797.37)	44,323.64 (25,299,976.42)		
<u>26,782,993.90</u>				<u>25,887,832.98</u>	
<u>26,849,593.90</u>	<u>-0-</u>	<u>(112,179,146.83)</u>	<u>(25,255,652.78)</u>	<u>73,153,469.44</u>	

(Continued on next page)

EXHIBIT B (Continued)

	CURRENT FUNDS			RESTRICTED FUNDS	ENDOWMENT AND SIMILAR FUNDS State
	UNRESTRICTED FUNDS		Total Unrestricted		
	General	Designated			
Net Increase (Decrease) for the Year	\$ 247,554.18	\$ 1,289,768.43	\$ 1,537,322.61	\$ 642,919.55	\$ 234,353,207.78
FUND BALANCE, August 31, 1985	\$ 882,228.20	\$ 18,308,276.46	\$ 19,190,504.66	\$ 6,548,398.65	\$ 2,326,902,088.26
Schedule Reference		B-1		B-3	B-5
Balances Represent					
Funds Held for Component Institutions	\$	\$	\$	\$	\$
Fund Balances - System Administration	882,228.20	18,308,276.46	19,190,504.66	6,548,398.65	2,326,902,088.26
	\$ 882,228.20	\$ 18,308,276.46	\$ 19,190,504.66	\$ 6,548,398.65	\$ 2,326,902,088.26

ENDOWMENT AND SIMILAR FUNDS Other Than State	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUNDS	PLANT FUNDS		
			Unexpended	Retirement of Indebtedness	Investment in Plant
\$ 61,913,197.10	\$ 205,148.60	\$ 13,121,506.16	\$ (1,601,802.75)	\$ 1,141,683.89	\$ 539,138.89
<u>\$ 380,612,831.84</u>	<u>\$ 4,427,271.42</u>	<u>\$ 15,569,080.58</u>	<u>\$ 6,208,992.29</u>	<u>\$ 111,668,454.43</u>	<u>\$ 10,256,884.34</u>
B-6	B-7	B-8	B-9	B-11	B-12
\$ 343,435,533.78	\$ 4,280,122.76	\$	\$	\$ 95,883,759.61	\$
<u>36,977,298.06</u>	<u>147,148.66</u>	<u>15,569,080.58</u>	<u>6,208,992.29</u>	<u>15,782,694.82</u>	<u>10,256,884.34</u>
<u>\$ 380,612,831.84</u>	<u>\$ 4,427,271.42</u>	<u>\$ 15,569,080.58</u>	<u>\$ 6,208,992.29</u>	<u>\$ 111,668,454.43</u>	<u>\$ 10,256,884.34</u>

EXHIBIT C
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For the Year Ended August 31, 1985

	UNRESTRICTED			RESTRICTED	TOTAL
	General	Designated	Total Unrestricted		
CURRENT REVENUES (Schedule C-1)					
State Appropriations	\$ 3,173,583.00	\$	\$ 3,173,583.00	\$ 1,069,527.07	\$ 4,243,110.07
Private Gifts, Grants, and Contracts ...				123,688.51	123,688.51
Endowment Income				2,070,449.19	2,070,449.19
Sales and Services of Educational Activities		298,733.00	298,733.00		298,733.00
Other Sources		2,497,342.53	2,497,342.53	224,538.07	2,721,880.60
TOTAL CURRENT REVENUES (Exhibit B)	\$ 3,173,583.00	\$ 2,796,075.53	\$ 5,969,658.53	\$ 3,488,202.84	\$ 9,457,861.37
CURRENT EXPENDITURES (Schedule C-2)					
Educational and General Public Service	\$	\$	\$	\$ 2,292,801.59	\$ 2,292,801.59
Institutional Support	5,452,425.83	4,199,726.07	9,652,151.90	1,195,401.25	10,847,553.15
TOTAL CURRENT EXPENDITURES (Exhibit B) ...	\$ 5,452,425.83	\$ 4,199,726.07	\$ 9,652,151.90	\$ 3,488,202.84	\$ 13,140,354.74

EXHIBIT A
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
BALANCE SHEET
At August 31, 1984

Assets

CURRENT FUNDS
UNRESTRICTED

GENERAL

Balance in State Appropriation (Schedule A-2)	\$		\$ 593.29	\$
Due from Available University Fund			<u>666,333.75</u>	

Total General 667,427.04

DESIGNATED

Cash on Hand (Schedule A-1)			386,413.51	
Cash in Bank (Schedule A-1)				
Demand Accounts		140,835.67		
Time Deposits		<u>16,228,615.32</u>	16,369,450.99	
Accounts Receivable			211,625.29	
Accrued Interest Receivable			177,660.57	
Prepaid Expenses			<u>314.33</u>	

Total Designated 17,145,464.69

Total Unrestricted 17,812,991.73

RESTRICTED

Cash on Hand (Schedule A-1)			100.00	
Cash in Bank (Schedule A-1)				
Demand Accounts		24,910.23		
Time Deposits		<u>8,032,890.54</u>	8,057,800.77	
Investments (Schedule A-3)			395,077.36	
Accrued Interest Receivable			67.85	
Prepaid Expenses			<u>25,000.00</u>	

Total Restricted 8,478,045.98

TOTAL CURRENT FUNDS \$ 26,290,937.71

ENDOWMENT AND SIMILAR FUNDS

STATE (PERMANENT UNIVERSITY FUND)

Cash with State Treasurer (Schedule A-1)			6,701,296.03	
Investments (Schedule A-3)			<u>2,085,847,584.45</u>	

Total State \$ 2,092,548,880.48

OTHER THAN STATE

Cash on Hand (Schedule A-1)			3,608,796.83	
Cash in Banks (Schedule A-1)				
Demand Accounts		8,200.14		
Time Deposits		<u>2,916,550.91</u>	2,924,751.05	
Investments (Schedule A-3)			311,834,129.45	
Accounts Receivable			147,710.06	
Accrued Interest Receivable			<u>747.35</u>	

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(Continued on next page)

EXHIBIT A
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
BALANCE SHEET
As August 31, 1984

Liabilities and Fund Balance

CURRENT FUNDS			
UNRESTRICTED			
GENERAL			
Accounts Payable	\$	\$	32,753.02
Fund Balances			
Allocated			
Provisions for Orders and Contracts Outstanding		35,310.78	
Provisions for Balances Subject to Reappropriation		<u>599,363.24</u>	<u>634,674.02</u>
Total General			667,427.04
DESIGNATED			
Accounts Payable			122,093.68
Due to Component Institutions - The University of Texas			
at Arlington			410.98
at El Paso			1,234.35
Institute of Texas Cultures			23.90
Health Science Center at San Antonio			401.17
Medical Branch at Galveston			117.58
Deferred Revenues			2,675.00
Fund Balances (Schedule B-1)			
Allocated			
Provisions for Orders and Contracts Outstanding		35,626.41	
Unallocated		<u>16,982,881.62</u>	<u>17,018,508.03</u>
Total Designated			<u>17,145,466.69</u>
Total Unrestricted			17,812,891.73
RESTRICTED			
Accounts Payable			31,607.27
Due to Component Institutions - The University of Texas			
at Arlington		40,218.13	
at Dallas		232,004.82	
at El Paso		281,054.77	
of the Permian Basin		42,327.20	
at San Antonio		42,711.95	
at Tyler		216,489.78	
Institute of Texas Cultures at San Antonio		223.64	
Health Science Center at Dallas		266,165.52	
Medical Branch at Galveston		433,394.41	
Health Science Center at Houston		77,196.49	
Health Science Center at San Antonio		93,356.32	
System Cancer Center		813,255.56	
Health Center at Tyler		<u>560.82</u>	<u>2,540,959.61</u>
Fund Balance (Unearned) (Schedule B-3)			
Allocated			
Provisions for Orders and Contracts Outstanding		5,327.70	
Unallocated		<u>5,900,151.40</u>	<u>5,905,479.10</u>
Total Restricted			<u>8,478,045.98</u>
TOTAL CURRENT FUNDS			<u>\$ 26,290,937.71</u>
ENDOWMENT AND SIMILAR FUNDS			
STATE (PERMANENT UNIVERSITY FUND)			
Fund Balance (Schedule B-3)			<u>2,092,548,880.48</u>
Total State			\$ 2,092,548,880.48
OTHER THAN STATE			
Notes Payable			16,000.00
Deposits			500.00
Fund Balance (Schedule B-6)			
Funds Held for Component Institutions - The University			
of Texas			
at Arlington		2,069,459.24	
at Austin		144,518,306.17	
at Dallas		21,095,762.80	
at El Paso		12,777,987.32	
of the Permian Basin		2,736,073.81	
at San Antonio		1,868,469.50	
at Tyler		11,864,630.66	

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(Continued on next page)

EXHIBIT A (Continued)

Assets

OTHER THAN STATE (Continued)

Total Other Than State	\$	\$	\$ 318,516,134.74
TOTAL ENDOWMENT AND SIMILAR FUNDS			<u>\$ 2,411,065,015.22</u>
ANNUITY AND LIFE INCOME FUNDS			
Cash in Bank (Schedule A-1)			
Demand Accounts		4,452.81	
Time Deposits		<u>247,897.07</u>	252,349.88
Investments (Schedule A-3)			<u>3,974,133.30</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS			<u>\$ 4,226,483.18</u>
AVAILABLE UNIVERSITY FUND			
Cash on Hand (Schedule A-1)			224,542.49
Cash with State Treasurer (Schedule A-1)			72,502,209.32
Investments (Schedule A-3)			86,100.00
Due from Retirement of Indebtedness Funds			<u>152,623.22</u>
TOTAL AVAILABLE UNIVERSITY FUND			<u>\$ 72,965,475.03</u>
PLANT FUNDS			
UNEXPENDED			
Cash in Banks (Schedule A-1)			
Demand Accounts		189,209.91	
Time Deposits		<u>37,652,774.86</u>	37,841,984.77
Accounts Receivable			252,088.78
Accrued Interest Receivable			<u>418,680.32</u>

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(Continued on next page)

EXHIBIT A (Continued)

Liabilities and Fund Balance

OTHER THAN STATE (Continued)		
Institute of Texan Cultures at San Antonio	\$ 317,917.98	\$
Health Science Center at Dallas	16,284,797.61	
Medical Branch at Galveston	16,393,547.37	
Health Science Center at Houston	3,856,820.12	
Health Science Center at San Antonio	4,369,682.35	
System Cancer Center	49,018,243.54	
Tyler Health Center	<u>25,000.00</u>	
	287,196,698.67	
Fund Balances - System Administration		
Endowment Funds	24,327,814.07	
Term Endowment Funds	11.00	
Quasi-Endowment Funds	<u>6,975,111.00</u>	
	31,302,936.07	318,499,634.74
Total Other Than State		<u>318,516,134.74</u>
TOTAL ENDOWMENT AND SIMILAR FUNDS		<u>\$ 2,411,065,015.22</u>
ANNUITY AND LIFE INCOME FUNDS		
Accounts Payable		4,360.36
Fund Balances (Schedule B-7)		
Funds Held for Component Institutions - The University of Texas		
at Austin	707,612.46	
Medical Branch at Galveston	2,921,834.18	
System Cancer Center	<u>446,306.94</u>	4,075,753.58
Fund Balance - System Administration		<u>146,369.24</u>
TOTAL ANNUITY AND LIFE INCOME FUNDS		<u>\$ 4,226,483.18</u>
AVAILABLE UNIVERSITY FUND		
Accounts Payable		77,692.30
Due to Texas A & M System		1,124,482.48
Due to General Current Funds		666,833.75
Due to The University of Texas at Austin		68,648,892.08
Fund Balances (Schedule B-8)		
Provisions for Real Estate	86,100.00	
Provisions for Orders and Contracts Outstanding	126,223.74	
Provisions for Possible Losses Under \$100,000.00		
Deductible Clause of Blanket System-wide Fire and Extended Coverage Insurance Policy	100,000.00	
Provisions for Balances Subject to Reappropriation	1,906,758.79	
Unappropriated Balance	<u>228,491.89</u>	2,447,574.62
TOTAL AVAILABLE UNIVERSITY FUND		<u>\$ 72,965,475.03</u>
PLANT FUNDS		
UNEXPENDED		
Due to Component Institutions from Permanent University		
Fund Bond Proceeds - The University of Texas		
at Austin	15,961,832.37	
at El Paso	1,296,495.71	
Health Science Center at Dallas	2,549,839.69	
Medical Branch at Galveston	3,746,513.79	
Health Science Center at Houston	1,523,689.45	
System Cancer Center	<u>5,600,000.00</u>	30,678,371.01
Bonds Payable (Schedule A-4)		23,587.82
Fund Balances (Schedule B-9)		
Restricted		
Balances Reappropriated	258,405.16	
Unappropriated	<u>6,162,660.45</u>	
	6,421,065.61	

(Continued on next page)

Assets

UNEXPENDED (Continued)

Total Unexpended	\$	\$	\$ 38,512,753.87
FUNDS FOR RETIREMENT OF INDEBTEDNESS			
Cash in Banks (Schedule A-1)			
Demand Accounts		46.29	
Time Deposits		<u>17,562,036.35</u>	17,562,082.64
Cash with State Treasurer (Schedule A-1)			2,263,396.97
Investments (Schedule A-3)			<u>90,853,914.15</u>
Total Retirement of Indebtedness			110,679,393.76
INVESTMENT IN PLANT			
Land		1,855,966.29	
Buildings		8,536,534.82	
Improvements Other Than Buildings		779,712.55	
Equipment		4,775,897.00	
Construction in Progress		1,066,533.08	
Proceeds of Bonds Payable Invested in Plant of Component Institutions		<u>381,479,513.89</u>	
Total Investment in Plant			<u>398,494,157.63</u>
TOTAL PLANT FUNDS			<u>\$ 547,686,305.26</u>
AGENCY FUNDS			
Cash on Hand (Schedule A-1)		80,200.00	
Cash in Banks (Schedule A-1)			
Demand Accounts		25,664.84	
Time Deposits		<u>2,232,783.15</u>	2,278,447.99
Investments (Schedule A-3)			10,133,255.25
Accrued Interest Receivable			<u>8,746.67</u>
TOTAL AGENCY FUNDS			<u>\$ 12,500,649.91</u>

Liabilities and Fund Balance

UNEXPENDED (Continued)		
Unrestricted		
Provision for Orders and Contracts Outstanding	\$ 2,020.00	\$
Balances Reappropriated	626,600.35	
Unappropriated	<u>761,109.08</u>	
	<u>1,389,729.43</u>	<u>7,810,795.04</u>
Total Unexpended		38,512,753.87
FUNDS FOR RETIREMENT OF INDEBTEDNESS		
Due to Available University Fund		152,623.22
Fund Balance (Schedule B-11)		
Funds Held for Component Institutions - The University of Texas		
at Arlington	3,712,716.03	
at Austin	35,367,181.02	
at Dallas	2,196,353.23	
at El Paso	3,450,131.14	
at San Antonio	2,419,334.68	
at Tyler	185,645.96	
Medical Branch at Galveston	15,319,507.90	
Health Science Center at Houston	2,691,250.26	
System Cancer Center	<u>28,870,615.93</u>	
Total Funds Held for Component Institutions		94,212,736.15
Fund Balance - System Administration		
Restricted		<u>16,314,034.39</u>
Total Retirement of Indebtedness		110,679,393.76
INVESTMENT IN PLANT		
Bonds Payable (Schedule A-4)		
Permanent University Fund Bonds	272,711,412.18	
General Tuition Revenue Bonds	<u>116,063,000.00</u>	
Total Bonds Payable		388,776,412.18
Net Investment in System Administration Plant (Schedule B-12)		<u>9,717,745.45</u>
Total Investment in Plant		<u>398,494,157.63</u>
TOTAL PLANT FUNDS		<u>\$ 547,686,305.26</u>
AGENCY FUNDS		
Accounts Payable		26,288.14
Deposits		1,500.00
Deposits Held in Custody for Others (Schedule A-5)		
Provision for Orders and Contracts Outstanding	39,134.16	
Net Fund Balance	<u>12,433,727.61</u>	<u>12,472,861.77</u>
TOTAL AGENCY FUNDS		<u>\$ 12,500,649.91</u>

EXHIBIT B
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended August 31, 1984

	CURRENT FUNDS			RESTRICTED FUNDS	ENDOWMENT AND SIMILAR FUNDS State
	UNRESTRICTED FUNDS		Total Unrestricted		
	General	Designated			
FUND BALANCES, September 1, 1983 ..	\$ 320,961.71	\$ 15,354,433.87	\$ 15,675,395.58	\$ 5,347,081.37	\$ 1,912,646,657.41
REVENUES AND OTHER ADDITIONS					
Unrestricted Current Funds					
Revenues	3,103,133.00	2,111,372.98	5,214,505.98		
State Appropriations -					
Restricted				1,010,882.59	
Federal Grants and Contracts -					
Restricted					
Private Gifts, Grants, and					
Contracts - Restricted				242,883.90	
Proceeds From the Sale of Bonds ..					
Investment Income				3,192,974.09	155,626,193.68
Available University Fund Income .					
Realized Gain on Investments					24,276,029.39
Expended for Plant Facilities					
(Including \$180,634.52					
charged to Current Fund					
Expenditures)					
Proceeds of Bonds Payable					
Invested in Plant of					
Component Institutions					
during Fiscal Year 1983					
Other Additions		2,646,119.30	2,646,119.30	208,154.44	
Total Revenues and Other					
Additions	3,103,133.00	4,757,492.28	7,860,625.28	4,654,895.02	179,902,223.07
EXPENDITURES AND OTHER DEDUCTIONS					
Expenditures	5,089,156.69	3,891,085.25	8,980,241.94	3,367,381.83	
Realized Losses on Investments				141.47	
Expended for Plant Facilities					
Retirement of Indebtedness					
and Interest Paid					
Disposal of Plant Facilities					
Reclassification To Other					
Component Institutions					
Net Change in Bonds Payable					
Other Deductions		2,332.87	2,332.87	178,186.86	
Total Expenditures and Other					
Deductions	5,089,156.69	3,893,418.12	8,982,574.81	3,545,710.16	
TRANSFERS					
Mandatory:					
From Component Institutions					
General Tuition Revenue					
Bonds					
Principal and Interest					
Permanent University Fund					
Bonds					
Non-Mandatory:					
Between Funds					
To General Current Funds	2,299,736.00		2,299,736.00		
To Available University					
Fund					
Between Component Insti-					
tutions					
From Component Insti-					
tutions					
To Component Institutions					
		800,000.00	800,000.00	1,487.33	
				(552,274.46)	
Transfer Reclassifica-					
tions - From (to) Funds					
Held for Component					
Institutions					
Total Transfers	2,299,736.00	800,000.00	3,099,736.00	(550,787.13)	

(Continued on next page)

ENDOWMENT AND SIMILAR FUNDS Other Than State	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUNDS	PLANT FUNDS		
			Unexpended	Retirement of Indebtedness	Investment in Plant
\$ 244,616,201.37	\$ 4,386,989.55	\$ 13,695,343.84	\$ 4,200,489.11	\$ 95,711,952.22	\$ 8,888,261.57
				1,079,260.00	
23,302,328.83	260,000.00			1,300,000.00	
3,110,661.22	396,392.92		67,000,000.00		
		120,535,746.33	4,224,508.68	11,640,917.53	
1,606,749.61	169,612.00			9,478.08	
					1,375,547.90
659.72				996,880.20	46,383,237.93
					143,901.08
<u>28,020,399.38</u>	<u>826,004.92</u>	<u>120,535,746.33</u>	<u>71,224,508.68</u>	<u>15,026,535.81</u>	<u>47,902,686.91</u>
285,188.26	329,695.34	670,365.22	168,289.18	5,811.05	
	202.02			3,182.88	
		39,177.20	953,795.91		
				76,479,318.76	116,364.20
			58,587,341.85		
			21,397.10		46,118,602.90
<u>310,368.75</u>					<u>828,235.93</u>
<u>795,557.01</u>	<u>329,897.36</u>	<u>709,542.42</u>	<u>59,730,824.04</u>	<u>76,488,312.69</u>	<u>47,073,203.03</u>
				8,000,000.00	
		(32,844,302.41)		32,844,302.41	
		(2,299,736.00)			
		84,680.58	(84,680.58)		
			6,619,734.02		
		(96,014,615.50)	(14,418,432.15)		
<u>46,658,591.00</u>	<u>(660,974.29)</u>			<u>35,432,292.79</u>	
<u>46,658,591.00</u>	<u>(660,974.29)</u>	<u>(131,073,973.33)</u>	<u>(7,883,378.71)</u>	<u>76,276,595.20</u>	

(Continued on next page)

EXHIBIT B (Continued)

	CURRENT FUNDS			RESTRICTED FUNDS	ENDOWMENT AND SIMILAR FUNDS State
	UNRESTRICTED FUNDS		Total Unrestricted		
	General	Designated			
Net Increase (Decrease) for the Year	\$ 313,712.31	\$ 1,664,074.16	\$ 1,977,786.47	\$ 558,397.73	\$ 179,902,223.07
FUND BALANCE, August 31, 1984	\$ 634,674.02	\$ 17,018,508.03	\$ 17,653,182.05	\$ 5,905,479.10	\$ 2,092,548,880.48
Schedule Reference		B-1		B-3	B-5
Balances Represent Funds Held for Component Institutions	\$	\$	\$	\$	\$
Fund Balances - System Administration	634,674.02	17,018,508.03	17,653,182.05	5,905,479.10	2,092,548,880.48
	\$ 634,674.02	\$ 17,018,508.03	\$ 17,653,182.05	\$ 5,905,479.10	\$ 2,092,548,880.48

ENDOWMENT AND SIMILAR FUNDS Other Than State	ANNUITY AND LIFE INCOME FUNDS	AVAILABLE UNIVERSITY FUNDS	PLANT FUNDS		
			Unexpended	Retirement of Indebtedness	Investment in Plant
\$ 73,883,433.37	\$ (164,866.73)	\$ (11,247,769.42)	\$ 3,610,305.93	\$ 14,814,818.32	\$ 829,483.88
<u>\$ 318,449,634.74</u>	<u>\$ 4,222,122.82</u>	<u>\$ 2,447,574.42</u>	<u>\$ 7,810,795.04</u>	<u>\$ 110,526,770.54</u>	<u>\$ 9,717,745.45</u>
B-6	B-7	B-8	B-9	B-11	B-12
\$ 287,196,698.67	\$ 4,075,753.58	\$	\$	\$ 94,212,736.15	\$
<u>31,302,936.07</u>	<u>146,369.24</u>	<u>2,447,574.42</u>	<u>7,810,795.04</u>	<u>16,314,034.39</u>	<u>9,717,745.45</u>
<u>\$ 318,499,634.74</u>	<u>\$ 4,222,122.82</u>	<u>\$ 2,447,574.42</u>	<u>\$ 7,810,795.04</u>	<u>\$ 110,526,770.54</u>	<u>\$ 9,717,745.45</u>

EXHIBIT C
THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION
STATEMENT OF CURRENT FUNDS REVENUES AND EXPENDITURES
For the Year Ended August 31, 1984

	UNRESTRICTED			RESTRICTED	TOTAL
	General	Designated	Total Unrestricted		
CURRENT REVENUES (Schedule C-1)					
State Appropriations	\$ 3,103,133.00	\$	\$ 3,103,133.00	\$ 1,010,882.59	\$ 4,114,015.59
Private Gifts, Grants, and Contracts ..				168,232.41	168,232.41
Endowment Income				2,027,330.21	2,027,330.21
Sales and Services of Educational Activities		293,425.64	293,425.64		293,425.64
Other Sources		1,817,947.34	1,817,947.34	160,936.62	1,978,883.96
TOTAL CURRENT REVENUES (Exhibit B)	\$ 3,103,133.00	\$ 2,111,372.98	\$ 5,214,505.98	\$ 3,367,381.83	\$ 8,581,887.81
CURRENT EXPENDITURES (Schedule C-2)					
Educational and General Public Service	\$	\$	\$	\$ 2,153,864.40	\$ 2,153,864.40
Institutional Support	5,089,156.69	3,891,085.25	8,980,241.94	1,213,517.43	10,193,759.37
TOTAL CURRENT EXPENDITURES (Exhibit B) ..	\$ 5,089,156.69	\$ 3,891,085.25	\$ 8,980,241.94	\$ 3,367,381.83	\$ 12,347,623.77

PURCHASE CONTRACT

RELATING TO

\$85,365,000
Board of Regents of The University of Texas System
General Tuition Revenue Refunding Bonds,
Series 1986

June 5, 1986

The Board of Regents
The University of Texas System
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned (the "Representatives"), acting on behalf of themselves and the other underwriters named on the list attached hereto as Exhibit A, as such list may be changed from time to time by the Representatives (the Representatives together with such other underwriters are collectively referred to herein as the "Underwriters") offer to enter into this Purchase Contract with the Board of Regents of The University of Texas System (the "Issuer"). The Representatives need not advise the Issuer of any change in the Underwriters. This offer is made subject to the Issuer's acceptance of this Purchase Contract on or before 5:00 p.m., Austin, Texas time, on June 5, 1986, and if not so accepted will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Capitalized terms used herein that are not otherwise defined shall have the meanings assigned to them in the Official Statement (as hereinafter defined).

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters, jointly and severally, hereby agree to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriters an aggregate of \$85,365,000 principal amount of the Issuer's General Tuition Revenue Refunding Bonds, Series 1986 (the "Bonds"). The Bonds shall be dated June 1, 1986, and shall have the maturities and bear interest from their date at the rate or rates per annum set forth in Exhibit B hereto. The aggregate purchase price for the Bonds shall be \$83,612,520.90, plus interest accrued on the Bonds from their date to the date of Closing (as hereinafter defined). The allocation of such purchase price is set forth in Exhibit C hereto.

2. The Bonds shall be as described in, and shall be issued and secured under the provisions of, the resolution adopted by the Issuer on June 5, 1986 authorizing the issuance of the Bonds (the "Resolution"). The Bonds shall be subject to redemption and shall be payable as provided in the Resolution. The Official Statement with respect to the Bonds, dated June 5, 1986, including the cover page and Appendices thereto, as amended in accordance with the terms hereof is hereinafter referred to as the "Official Statement."

3. As set forth in the Official Statement, the proceeds of the Bonds, together with other funds of the Issuer, will be used at Closing to pay certain costs and expenses connected with the issuance of the Bonds and purchase a portfolio of United States government obligations that will be deposited in escrow, the maturing principal of and interest on which will be sufficient to pay, when due, the principal and interest on the bonds to be refunded (the "Refunded Bonds"). In order to accomplish such advance refunding and defeasance, it will be necessary for the Issuer to subscribe for certain direct obligations of the United States of America (the "Federal Securities") to be purchased at the Closing with proceeds of the Bonds, the maturing principal of and interest on which will be sufficient to provide for the full and timely payment of the Refunded Bonds.

4. Morgan Guaranty Trust Company of New York has been duly authorized to execute this Purchase Contract and to act hereunder by and on behalf of the Underwriters.

5. It shall be a condition of the obligation of the Issuer to sell and deliver the Bonds to the Underwriters, and of the obligation of the Underwriters to purchase and accept delivery of the Bonds, that the entire \$85,365,000 principal amount of the Bonds authorized by the Resolution shall be sold and delivered by the Issuer and accepted and paid for by the Underwriters at the Closing. The Underwriters agree to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices as set forth on the reverse side of the cover page of the Official Statement, plus interest accrued thereon from the date of the Bonds.

6. On behalf of the Underwriters, Morgan Guaranty Trust Company of New York hereby delivers to the Issuer its corporate check payable to the order of the Issuer in the amount of \$853,650 (the check hereinafter referred to as the "Good Faith Deposit"). In the event that the Issuer does not accept this offer, the Good Faith Deposit shall be immediately returned to Morgan Guaranty Trust Company of New York. In the event that the Issuer does accept this offer, the Issuer shall retain the Good Faith Deposit uncashed pending the Closing. The Good Faith Deposit shall be returned to Morgan Guaranty Trust Company of New York at the time of delivery of the Bonds and the payment of the purchase price of the Bonds as provided in Paragraph 9 hereof. In the event the Issuer fails to deliver the Bonds at the Closing, or in the event the Issuer is unable to satisfy the conditions to the obligations of the Underwriters to purchase, accept delivery of and pay for the Bonds, as set forth in this Purchase Contract (unless waived by the Underwriters), or in the event such obligations of the Underwriters are terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate and the

Good Faith Deposit shall immediately be returned to Morgan Guaranty Trust Company of New York. In the event that the Underwriters fail (other than for a reason permitted hereunder) to purchase, accept delivery of and pay for the Bonds at the Closing as herein provided, the Good Faith Deposit shall be retained by the Issuer and cashed as and for full liquidated damages for such failure and for any defaults hereunder on the part of the Underwriters and, except as set forth in Paragraphs 12 and 14 hereof, neither party hereto shall have any further rights against the other hereunder.

7. The Issuer hereby authorizes the Underwriters to use the Resolution, the Official Statement and the information contained in either of those documents in connection with the public offering and sale of the Bonds. The Issuer confirms its consent to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement for the Bonds, dated May 2, 1986 (the "Preliminary Official Statement") (a copy of which has been previously provided by the Representatives to the Issuer, the receipt of which is hereby acknowledged), in connection with the public offering of the Bonds.

8. On the date hereof, the Issuer represents, warrants and agrees as follows:

(a) The University of Texas System (the "System") is and will be at the date of Closing a duly organized and existing agency of the State of Texas, and the Issuer is the duly appointed governing body of the System. The Issuer and the System have the powers and authority, among others, set forth in the Texas Education Code;

(b) By official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations contained in the Bonds, the Resolution and this Purchase Contract;

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

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

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

(f) The descriptions and summaries contained in the Official Statement accurately describe and summarize the provisions of the Resolution and the Bonds, and the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(g) Between the date of this Purchase Contract and the Closing, neither the Issuer nor the System will, without the prior written consent of the Underwriters, issue any additional bonds, notes or other obligations for borrowed money, and neither the Issuer nor the System will incur any material liabilities, direct or contingent, nor will there be any material adverse change in the financial position or condition of the System or the Pledged Revenues;

(h) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the Chairman of the Issuer, the Executive Vice Chancellor for Asset Management of the System or the Vice Chancellor and General Counsel to the System, threatened in any court affecting the Issuer's existence as a state agency, its powers, or the title of its officers to their respective offices, or seeking to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of the Pledged Revenues pledged by the Issuer to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Resolution, or this Purchase Contract, or contesting in any manner the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement;

(i) The Issuer will cooperate with counsel to the Underwriters in arranging for the qualification of the Bonds for sale and the determination of their eligibility for investment under the laws of such jurisdictions as the Underwriters designate and will use its best and reasonable efforts to continue such qualifications in effect so long as required for distribution of the Bonds; provided, however, that the Issuer will not be required to execute a special or general consent to service of process or qualify to do business in connection with any such qualification in any jurisdiction;

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

(k) If prior to the Closing any event occurs affecting the Issuer, the System or the Pledged Revenues which is materially adverse for the purpose for which the Official Statement is to be used and is not disclosed in

the Official Statement, the Issuer shall notify the Underwriters, and if in the opinion of the Underwriters such event requires a supplement or amendment to the Official Statement, the Issuer will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters, counsel to the Underwriters and Bond Counsel.

9. At 10:00 a.m., New York time, on or about June 26, 1986, at the offices of Morgan Guaranty Trust Company of New York at 23 Wall Street, New York, New York, or at such other time, date and place as may be mutually agreed upon by the parties (the "Closing"), the Issuer will deliver fully registered Bonds in definitive form in the denomination of \$5,000 each, or any integral multiple thereof within a maturity, to the Underwriters, duly executed and authenticated, approved by the Attorney General of Texas and registered by the Comptroller of Public Accounts of the State of Texas, together with the other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay to the Issuer with immediately available funds in the amount of the purchase price of such Bonds as set forth in Paragraph 1 hereof, plus accrued interest on the Bonds from their dated date to the date of Closing. The Bonds shall initially be delivered as one Bond per maturity. The definitive Bonds shall be printed or lithographed on lithographed or steel engraved borders; shall be fully registered in such name or names as the Underwriters shall have specified to MBank Dallas, National Association (the "Paying Agent/Registrar") provided such specification is made not less than five business days prior to the Closing; shall be prepared and delivered in definitive form bearing CUSIP numbers, executed by the Issuer by manual or facsimile signature and authenticated by the Paying Agent/Registrar; and, if the Underwriters shall so request, shall be made available to the Underwriters at least one business day before the Closing for the purpose of inspection, but in any event, such definitive Bonds shall remain under the control of the Issuer pending payment therefor.

10. The Underwriters have entered into this Purchase Contract in reliance upon the representations and warranties of the Issuer contained herein and to be contained in the documents and instruments to be delivered at the Closing, and upon the performance by the Issuer of its obligations hereunder and under such documents and instruments, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriters' obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the performance by the Issuer of its obligations hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following conditions:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct in all material respects at the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, (i) the Resolution, (ii) the Prior Resolutions, (iii) the "Financial Guaranty Agreement" (herein so called) entered into by and between the Issuer and Municipal Bond Insurance Association ("MBIA") in connection with the Issuer's Reserve Fund requirements under the Resolution, and (iv) the surety bond (the "Surety Bond") issued by MBIA pursuant to the Financial Guaranty Agreement shall each be in full force and effect, and shall not have been amended, modified, or supplemented, and the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to by the Underwriters;

(c) At the time of the Closing, all official action of the Issuer related to the Resolution shall be in full force and effect and shall not have been amended, modified or supplemented;

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

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

(1) The Official Statement executed on behalf of the Issuer by the Executive Vice Chancellor for Asset Management of the System;

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

(3) An unqualified bond opinion, dated the date of Closing, of Fulbright & Jaworski, Austin, Texas, McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston and Austin, Texas, Co-Bond Counsel, in substantially the form attached to the Official Statement as an appendix, or in such form and substance satisfactory to the Underwriters;

(4) A supplemental opinion, dated the date of Closing, of Co-Bond Counsel, in form and substance satisfactory to the Underwriters;

(5) An unqualified opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of Texas, approving the initial Bonds delivered to the Underwriters;

(6) An opinion, dated the date of Closing, of Jenkens, Hutchison & Gilchrist, Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas, co-counsel to the Underwriters, in form and substance attached hereto as Exhibit D;

(7) A certificate, dated the date of Closing, signed by the Chairman of the Issuer, the Executive Vice Chancellor for Asset Management of the System and the Vice Chancellor and General Counsel to the System, to the effect that to the best of their knowledge (a) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (b) except to the extent disclosed in the Official Statement, no litigation is pending or, to the knowledge of such persons, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection or receipt of the Pledged Revenues pledged to pay the

principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Resolution, or this Purchase Contract, or contesting the powers of the Issuer or contesting the authorization of the Bonds, the Refunded Bonds, the Resolution or the Prior Resolutions, or contesting in any way the accuracy, completeness or fairness of the Preliminary Official Statement or the Official Statement (but in lieu of or in conjunction with such certificate, the Underwriters may, in their sole discretion, accept certificates or opinions of the Vice Chancellor and General Counsel to the System, that, in his opinion, the issues raised in any such pending or threatened litigation are without substance or that the contentions of all plaintiffs therein are without merit); (c) the Official Statement does not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (d) no event affecting the Issuer, the System or the Pledged Revenues has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; and (e) there has not been any material adverse change in the financial condition of the System or the Pledged Revenues from that reflected in the unaudited and audited financial statements and other financial information contained in the Official Statement;

(8) A fully executed escrow agreement between the Issuer and MBank Houston, National Association (the "Escrow Agent") which (together with any other appropriate documentation) evidences that all Federal Securities and cash required to be deposited with the Escrow Agent have been purchased by or delivered to the Escrow Agent, all as described in the Official Statement, together with a certificate, dated as of the date of Closing, executed by an appropriate official of the Escrow Agent, to the effect that such escrow agreement has been duly authorized, executed, and entered into by the Escrow Agent;

(9) A certificate by an appropriate official of the Issuer or the System to the effect that, on the basis of the facts, estimates and circumstances in effect on the date of delivery of the Bonds, it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended;

(10) A report of Ernst & Whinney, independent certified public accountants, stating that such firm has verified the mathematical accuracy of certain computations based upon assumptions provided to them relating to (a) the adequacy of the maturing principal amounts of the United States government obligations and the interest thereon held in the escrow fund required by the Resolution to pay when due all of the principal of and interest and redemption premiums, if any, on the Refunded Bonds, and (b)

certain mathematical computations used by Bond Counsel to support its opinion that the Refunding Bonds are not arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended;

(11) A certificate dated the date of the Closing of the Executive Vice Chancellor for Asset Management of the System stating in effect that on the basis of (a) a reading of the Official Statement and of the financial statements of the System, (b) consultations with board members, officers and other officials of the Issuer and the System responsible for financial and accounting matters, and (c) a reading of the minutes of the meetings of the Issuer, nothing has come to his attention which causes him to believe that as of a subsequent specified date not more than five business days prior to the Closing Date, there was (i) any material change in long-term debt of the System as compared with the amount shown in such financial statements, except for changes that the Official Statement discloses, which have occurred or which may occur or which are described in such letter or (ii) any material decrease in total assets or total fund balance of the System, in each case as compared with amounts shown in such financial statements, except in all instances for changes or decreases which the Official Statement discloses have occurred or may occur or which are described in such certificate;

(12) A certificate dated the Closing Date of the Executive Vice Chancellor for Asset Management of the System stating in effect that, to the best of his knowledge, (i) the "Schedule of Bonds to be Refunded" as set forth in an appendix to the Official Statement and as Exhibit E to this Purchase Contract is true and correct in all material respects, and (ii) the information supplied to the Representatives for the purpose of developing and producing their computer analysis and schedules with regard to the refunded debt service is true and correct in all material respects;

(13) A copy of all proceedings of the Issuer relating to the authorization of this Purchase Contract and to the authorization and issuance of the Bonds, certified as true, accurate and complete by the Executive Secretary of the Issuer;

(14) An opinion of counsel to MBIA that the Financial Guaranty Agreement and the Surety Bond are legal, valid and binding obligations of MBIA, enforceable in accordance with their respective terms; and

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

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

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, this Purchase Contract shall terminate, and neither the Underwriters nor the Issuer shall be under further obligation hereunder, except that: (a) the Good Faith Deposit shall immediately be returned to the Underwriters; and (b) the respective obligations of the Issuer and the Underwriters set forth in Paragraphs 12 and 14 hereof shall continue in full force and effect.

11. The Underwriters may terminate their obligation to purchase the Bonds at any time on or after the date of this Purchase Contract or on or before the Closing if any of the following should occur:

(a) (i) Legislation shall have been enacted by the Congress of the United States, recommended to the Congress for passage by the President of the United States or favorably reported for passage to either Chamber of the Congress by any Committee of such Chamber, or (ii) a decision shall have been rendered by a court established under Article III of the Constitution of the United States or by the United States Tax Court, or (iii) an order, ruling or regulation shall have been issued or proposed by or on behalf of the Treasury Department of the United States or the Internal Revenue Service or any other agency of the United States, or (iv) a release or official statement shall have been issued by the President of the United States, by the Treasury Department of the United States, by the Internal Revenue Service or by the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, the effect of which, in any such case described in clause (i), (ii), (iii), or (iv), would be to, directly or indirectly, affect the tax status of the Issuer, its property or income, its securities (including the Bonds) or the interest thereon or interest received on obligations of the general character of the Bonds in such a manner as in the judgment of the Underwriters would materially impair the marketability or materially reduce the market price of obligations of the general character of the Bonds.

(b) Legislation shall have been enacted by the Congress of the United States to become effective on or prior to the Closing, any action shall have been taken by the Securities and Exchange Commission, by a court or by any other agency having jurisdiction over the issuance, sale and delivery of the Bonds, or any other obligations of any similar public body of the general character of the Issuer, which would require registration of any security under the Securities Act of 1933, as amended, or qualification of any indenture under the Trust Indenture Act of 1939, as amended, in connection with the public offering of the Bonds, or any action shall have been taken by any court or by any governmental authority suspending the use of the Preliminary Official Statement or the Official Statement or any amendment

or supplement thereto, or any proceeding for that purpose shall have been initiated or threatened in any such court or by any such authority.

(c) (i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed, or (ii) legislation shall be enacted, or (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling or regulation shall have been issued or proposed by or on behalf of the State of Texas by an official, agency or department thereof, affecting the tax status of the Issuer, its property or income, its bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized under the Act which in the judgment of the Underwriters would materially affect the market price of the Bonds.

(d) (i) A general suspension of trading in securities shall have occurred on the New York Stock Exchange, or (ii) the United States shall have become engaged in hostilities which have resulted in the declaration of a national emergency or war, the effect of which, in either case described in clauses (i) and (ii), is, in the judgment of the Underwriters, so material and adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Bonds on the terms and in the manner contemplated in this Purchase Contract and the Official Statement.

(e) An event described in Paragraph 8(k) hereof occurs which, in the opinion of the Underwriters, requires a supplement or amendment to the Official Statement.

(f) A general banking moratorium shall have been declared by authorities of the United States, the State of New York or the State of Texas.

(g) The debt ceiling of the United States is such that the Federal Securities required to fund any escrow agreement referenced in the Resolution are not available for delivery on the date of the delivery of the Bonds unless satisfactory Federal Securities can be obtained in the open market.

12. (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay, any expenses incident to the performance of the Issuer's obligations hereunder, including but not limited to: (i) the fees and disbursements of Co-Bond Counsel to the Issuer; (ii) the fees and disbursements of the Issuer's accountants and advisors, and of any other experts or consultants retained by the Issuer; (iii) the fees for bond ratings, relating to the Bonds and the Refunded Bonds; (iv) the initial registration and paying agents acceptance fees; (v) the fees and disbursements for the Escrow Agent and each paying agent for the Refunded Bonds; and (vi) all other miscellaneous and closing costs not paid by the Underwriters as provided in subparagraph (b) of this paragraph 12.

(b) The Underwriters shall pay: (i) the cost of the preparation, printing and distribution of the Resolution, the Preliminary Official Statement, the final Official Statement and the Bonds; (ii) the cost of the preparation and printing of the Agreement Among Underwriters, this

Purchase Contract and the Blue Sky and Legal Investment Surveys; (iii) all advertising expenses in connection with the offering of the Bonds; (iv) all other expenses incurred by them or any of them in connection with their offering and distribution of the Bonds, including the fees and disbursements of counsel retained by them; and (v) the fees and disbursements for the accountant certifying escrow adequacy.

13. Any notice or other communication to be given to the Issuer under this Purchase Contract may be given by delivering the same in writing at the address for the Issuer set forth above, and any notice or other communication to be given to the Underwriters under this Purchase Contract may be given by delivering the same in writing to Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York 10015, Attention: James J. Corcoran.

14. This Purchase Contract is made solely for the benefit of the Issuer and the Underwriters (including the successors or assigns of any Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. The Issuer's representations, warranties and agreements contained in this Purchase Contract shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriters and (ii) delivery of any payment for the Bonds hereunder; and the Issuer's representations and warranties contained in Paragraph 8 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

15. This Purchase Contract shall become effective upon the execution of the acceptance hereof by the Issuer and shall be valid and enforceable as of the time of such acceptance.

Very truly yours,

Morgan Guaranty Trust Company of
New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of
MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank National
Association
Underwood, Neuhaus & Co. Incorporated

By: Morgan Guaranty Trust Company
of New York

By: _____

Title: _____

ACCEPTED:

This 5th day of May, 1986.

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By: _____

Title: _____

Attest:

Executive Secretary

UNDERWRITERS

Morgan Guaranty Trust Company of New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank National Association
Underwood, Neuhaus & Co. Incorporated

EXHIBIT B

\$85,365,000
 Board of Regents of The University of Texas System
 General Tuition Revenue Refunding Bonds,
 Series 1986

\$65,130,000 Serial Bonds

<u>Due August 15</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Price</u>
1987	\$3,160,000	4.75%	4.75%	100%
1988	2,685,000	5.40	5.40	100
1989	2,835,000	6.00	6.00	100
1990	5,010,000	6.40	6.40	100
1991	5,345,000	6.75	6.75	100
1992	5,565,000	7.00	7.00	100
1993	5,825,000	7.25	7.25	100
1994	6,110,000	7.50	7.50	100
1995	6,385,000	7.70	7.70	100
1996	6,220,000	7.80	7.85	99.639
1997	4,920,000	8.00	8.00	100
1998	5,320,000	8.00	8.05	99.601
1999	5,750,000	8.00	8.10	99.184

\$20,235,000 8.125.% Term Bond Due August 15, 2002 -- Price 98.879%

EXHIBIT C

\$85,365,000
 Board of Regents of The University of Texas System
 General Tuition Revenue Refunding Bonds,
 Series 1986

The purchase price of the Bonds is computed as follows:

Aggregate principal amount of Bonds		\$85,365,000.00																
Less:																		
Aggregate Underwriters' Discount for all Bonds		(1,435,043.75)																
Original Issue Discount ("OID"):																		
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 50%;"><u>Bonds Due</u> <u>August 15</u></th> <th style="text-align: left; width: 50%;"><u>Amount of OID</u></th> </tr> </thead> <tbody> <tr> <td>1996 (Serial)</td> <td style="text-align: right;">\$22,454.20</td> </tr> <tr> <td>1998 (Serial)</td> <td style="text-align: right;">21,226.80</td> </tr> <tr> <td>1999 (Serial)</td> <td style="text-align: right;">46,920.00</td> </tr> <tr> <td>2000 (Term*)</td> <td style="text-align: right;">69,670.15</td> </tr> <tr> <td>2001 (Term*)</td> <td style="text-align: right;">75,443.30</td> </tr> <tr> <td>2002 (Term*)</td> <td style="text-align: right;">81,720.90</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">(317,435.35)</td> </tr> </tbody> </table>	<u>Bonds Due</u> <u>August 15</u>	<u>Amount of OID</u>	1996 (Serial)	\$22,454.20	1998 (Serial)	21,226.80	1999 (Serial)	46,920.00	2000 (Term*)	69,670.15	2001 (Term*)	75,443.30	2002 (Term*)	81,720.90		(317,435.35)	
<u>Bonds Due</u> <u>August 15</u>	<u>Amount of OID</u>																	
1996 (Serial)	\$22,454.20																	
1998 (Serial)	21,226.80																	
1999 (Serial)	46,920.00																	
2000 (Term*)	69,670.15																	
2001 (Term*)	75,443.30																	
2002 (Term*)	81,720.90																	
	(317,435.35)																	
Purchase Price		\$83,612,520.90																
Plus Accrued Interest		438,668.66																
Total Payable to Issuer		\$84,051,189.56																

*\$20,235,000 8.125% Term Bond Due August 15, 2002 -- Price 98.879%,
 subject to mandatory sinking fund redemption prior to maturity in the years
 indicated above.

June 26, 1986

Morgan Guaranty Trust Company of New York
First Southwest Company
Goldman, Sachs & Co.
MBank Capital Markets, a unit of MBank Dallas, N.A.
Merrill Lynch Capital Markets
Rauscher Pierce Refsnes, Inc.
Rotan Mosle Inc.
Salomon Brothers Inc
Texas Commerce Bank National Association
Underwood, Neuhaus & Co. Incorporated

Re: \$85,365,000 Board of Regents of The University of Texas System,
General Tuition Revenue Refunding Bonds, Series 1986

Gentlemen:

We have acted as counsel for you as the Underwriters of the above-captioned bonds (the "Bonds"), dated June 1, 1986, issued by the Board of Regents of The University of Texas System (the "Issuer"), pursuant to a resolution adopted by the Issuer on June 5, 1986 (the "Resolution"). You are purchasing the Bonds pursuant to a certain Purchase Contract (the "Purchase Contract") with respect thereto, dated June 5, 1986.

We have examined such documents and satisfied ourselves as to such matters as we have deemed necessary in order to enable us to express the opinions set forth below.

We have not examined the Bonds, except a specimen thereof, and have relied upon a certificate of the Issuer as to the execution thereof. As to various questions of fact material to these opinions, we have relied upon representations of the Issuer and statements in the Official Statement (the "Official Statement") of the Issuer related to the Bonds.

Based upon the foregoing, in our opinion:

1. The Purchase Contract has been duly authorized, executed and delivered by the Underwriters and constitutes a valid and enforceable agreement of the Underwriters in accordance with its terms;
2. The requirements contained in the Purchase Contract which are conditions precedent to the obligations of the Underwriters to accept and pay for the Bonds have been met or waived by the Underwriters; and
3. The Bonds are exempted securities within the meaning of Section 3(a)(2) of the Securities Act of 1933, as amended, and it is not necessary in connection with the sale of the Bonds to the public to register the Bonds under the Securities Act of 1933, as amended, or the Resolution under the Trust Indenture Act of 1939, as amended.

Except as otherwise specified herein, we have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement. We have, however, participated in its preparation. In connection therewith, we have participated in conferences with officials of the Issuer, and we have examined various laws, documents, records and official actions of the Issuer pertaining to the Bonds and to the matters disclosed in the Official Statement. Based upon our participation in the preparation of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, we have no reason to believe that, as of its date, the Official Statement (except for financial or statistical data contained therein as to which no opinion is expressed) contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

Respectfully submitted,

SCHEDULE OF BONDS
TO BE
REFUNDED

THE UNIVERSITY OF TEXAS SYSTEM
 GENERAL TUITION REVENUE BONDS
 SERIES 1971 (\$50,000,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
 PUBLIC FINANCE DEPARTMENT
 INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
4.0186	5.250	SEM'L	1,335,000.00	974,182.50	2,309,182.50	1,335,000.00	974,182.50	2,309,182.50
10.0186	.000	0	.00	939,138.75	939,138.75	.00	.00	.00
4.0187	5.250	SEM'L	1,410,000.00	939,138.75	2,349,138.75	1,410,000.00	1,878,277.50	3,288,277.50
10.0187	.000	0	.00	902,126.25	902,126.25	.00	.00	.00
4.0188	5.250	SEM'L	1,485,000.00	902,126.25	2,387,126.25	1,485,000.00	1,804,252.50	3,289,252.50
10.0188	.000	0	.00	863,145.00	863,145.00	.00	.00	.00
4.0189	5.250	SEM'L	1,570,000.00	863,145.00	2,433,145.00	1,570,000.00	1,726,290.00	3,296,290.00
10.0189	.000	0	.00	821,932.50	821,932.50	.00	.00	.00
4.0190	5.400	SEM'L	1,555,000.00	821,932.50	2,476,932.50	1,555,000.00	1,643,865.00	3,298,865.00
10.0190	.000	0	.00	777,247.50	777,247.50	.00	.00	.00
4.0191	5.400	SEM'L	1,745,000.00	777,247.50	2,522,247.50	1,745,000.00	1,554,495.00	3,299,495.00
10.0191	.000	0	.00	730,132.50	730,132.50	.00	.00	.00
4.0192	5.400	SEM'L	1,840,000.00	730,132.50	2,570,132.50	1,840,000.00	1,460,265.00	3,300,265.00
10.0192	.000	0	.00	680,452.50	680,452.50	.00	.00	.00
4.0193	5.500	SEM'L	1,945,000.00	680,452.50	2,625,452.50	1,945,000.00	1,360,905.00	3,305,905.00
10.0193	.000	0	.00	626,965.00	626,965.00	.00	.00	.00
4.0194	5.500	SEM'L	2,050,000.00	626,965.00	2,676,965.00	2,050,000.00	1,253,930.00	3,303,930.00
10.0194	.000	0	.00	570,590.00	570,590.00	.00	.00	.00
4.0195	5.600	SEM'L	2,165,000.00	570,590.00	2,735,590.00	2,165,000.00	1,141,180.00	3,306,180.00
10.0195	.000	0	.00	509,970.00	509,970.00	.00	.00	.00
4.0196	5.600	SEM'L	2,280,000.00	509,970.00	2,789,970.00	2,280,000.00	1,019,940.00	3,299,940.00
10.0196	.000	0	.00	446,130.00	446,130.00	.00	.00	.00
4.0197	5.600	SEM'L	2,410,000.00	446,130.00	2,856,130.00	2,410,000.00	892,260.00	3,302,260.00
10.0197	.000	0	.00	378,650.00	378,650.00	.00	.00	.00
4.0198	5.600	SEM'L	2,540,000.00	378,650.00	2,918,650.00	2,540,000.00	757,300.00	3,297,300.00
10.0198	.000	0	.00	307,530.00	307,530.00	.00	.00	.00
4.0199	5.600	SEM'L	2,680,000.00	307,530.00	2,987,530.00	2,680,000.00	615,060.00	3,295,060.00
10.0199	.000	0	.00	232,490.00	232,490.00	.00	.00	.00
4.0100	5.600	SEM'L	2,830,000.00	232,490.00	3,062,490.00	2,830,000.00	464,980.00	3,294,980.00
10.0100	.000	0	.00	153,250.00	153,250.00	.00	.00	.00
4.0101	5.000	SEM'L	2,985,000.00	153,250.00	3,138,250.00	2,985,000.00	306,500.00	3,291,500.00
10.0101	.000	0	.00	78,625.00	78,625.00	.00	.00	.00
4.0102	5.000	SEM'L	3,145,000.00	78,625.00	3,223,625.00	3,145,000.00	157,250.00	3,302,250.00
.....
.0000	.000	0	36,070,000.00	19,010,932.50	55,080,932.50	36,070,000.00	19,010,932.50	55,080,932.50
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MAXIMUM ANNUAL D-S 3,306,180.00
 AVERAGE ANNUAL D-S 3,338,238.33

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS
SERIES 1972 (\$50,000,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
PUBLIC FINANCE DEPARTMENT
INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
4.0186	5.200	SEM'L	1,405,000.00	978,167.50	2,383,167.50	1,405,000.00	978,167.50	2,383,167.50
10.0186	.000	0	.00	937,422.50	937,422.50	.00	.00	.00
4.0187	5.250	SEM'L	1,480,000.00	937,422.50	2,417,422.50	1,480,000.00	1,874,845.00	3,354,845.00
10.0187	.000	0	.00	898,572.50	898,572.50	.00	.00	.00
4.0188	5.250	SEM'L	1,560,000.00	898,572.50	2,458,572.50	1,560,000.00	1,797,145.00	3,357,145.00
10.0188	.000	0	.00	857,522.50	857,522.50	.00	.00	.00
4.0189	5.250	SEM'L	1,650,000.00	857,522.50	2,507,522.50	1,650,000.00	1,715,245.00	3,365,245.00
10.0189	.000	0	.00	814,310.00	814,310.00	.00	.00	.00
4.0190	5.250	SEM'L	1,740,000.00	814,310.00	2,554,310.00	1,740,000.00	1,628,620.00	3,368,620.00
10.0190	.000	0	.00	768,635.00	768,635.00	.00	.00	.00
4.0191	5.250	SEM'L	1,835,000.00	768,635.00	2,603,635.00	1,835,000.00	1,537,270.00	3,372,270.00
10.0191	.000	0	.00	720,466.25	720,466.25	.00	.00	.00
4.0192	5.250	SEM'L	1,935,000.00	720,466.25	2,655,466.25	1,935,000.00	1,440,932.50	3,375,932.50
10.0192	.000	0	.00	669,672.50	669,672.50	.00	.00	.00
4.0193	5.250	SEM'L	2,040,000.00	669,672.50	2,709,672.50	2,040,000.00	1,339,345.00	3,379,345.00
10.0193	.000	0	.00	616,122.50	616,122.50	.00	.00	.00
4.0194	5.300	SEM'L	2,155,000.00	616,122.50	2,771,122.50	2,155,000.00	1,232,245.00	3,387,245.00
10.0194	.000	0	.00	559,015.00	559,015.00	.00	.00	.00
4.0195	5.300	SEM'L	2,275,000.00	559,015.00	2,834,015.00	2,275,000.00	1,118,030.00	3,393,030.00
10.0195	.000	0	.00	498,727.50	498,727.50	.00	.00	.00
4.0196	5.300	SEM'L	2,400,000.00	498,727.50	2,898,727.50	2,400,000.00	997,455.00	3,397,455.00
10.0196	.000	0	.00	435,127.50	435,127.50	.00	.00	.00
4.0197	5.300	SEM'L	2,530,000.00	435,127.50	2,965,127.50	2,530,000.00	870,255.00	3,400,255.00
10.0197	.000	0	.00	368,082.50	368,082.50	.00	.00	.00
4.0198	5.400	SEM'L	2,670,000.00	368,082.50	3,038,082.50	2,670,000.00	736,165.00	3,406,165.00
10.0198	.000	0	.00	295,992.50	295,992.50	.00	.00	.00
4.0199	5.400	SEM'L	2,815,000.00	295,992.50	3,110,992.50	2,815,000.00	591,985.00	3,406,985.00
10.0199	.000	0	.00	219,987.50	219,987.50	.00	.00	.00
4.0100	4.500	SEM'L	2,970,000.00	219,987.50	3,189,987.50	2,970,000.00	439,975.00	3,409,975.00
10.0100	.000	0	.00	153,162.50	153,162.50	.00	.00	.00
4.0101	4.500	SEM'L	3,135,000.00	153,162.50	3,288,162.50	3,135,000.00	306,325.00	3,441,325.00
10.0101	.000	0	.00	82,625.00	82,625.00	.00	.00	.00
4.0102	5.000	SEM'L	3,305,000.00	82,625.00	3,387,625.00	3,305,000.00	165,250.00	3,470,250.00
.0000	.000	0	37,900,000.00	18,769,255.00	56,669,255.00	37,900,000.00	18,769,255.00	56,669,255.00

MAXIMUM ANNUAL D-S
AVERAGE ANNUAL D-S

3,470,250.00
3,434,500.30

THE UNIVERSITY OF TEXAS SYSTEM
 GENERAL TUITION REVENUE BONDS
 SERIES 1972-A (\$17,000,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
 PUBLIC FINANCE DEPARTMENT
 INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
4.0186	5.000	SEM'L	525,000.00	322,566.25	847,566.25	525,000.00	322,566.25	847,566.25
10.0186	.000	0	.00	306,816.25	306,816.25	.00	.00	.00
4.0187	5.250	SEM'L	555,000.00	306,816.25	861,816.25	555,000.00	613,632.50	1,168,632.50
10.0187	.000	0	.00	292,247.50	292,247.50	.00	.00	.00
4.0188	4.800	SEM'L	560,000.00	292,247.50	872,247.50	560,000.00	584,495.00	1,164,495.00
10.0188	.000	0	.00	278,327.50	278,327.50	.00	.00	.00
4.0189	4.800	SEM'L	595,000.00	278,327.50	873,327.50	595,000.00	556,655.00	1,151,655.00
10.0189	.000	0	.00	264,047.50	264,047.50	.00	.00	.00
4.0190	4.900	SEM'L	625,000.00	264,047.50	889,047.50	625,000.00	528,095.00	1,153,095.00
10.0190	.000	0	.00	248,735.00	248,735.00	.00	.00	.00
4.0191	4.900	SEM'L	655,000.00	248,735.00	903,735.00	655,000.00	497,470.00	1,152,470.00
10.0191	.000	0	.00	232,687.50	232,687.50	.00	.00	.00
4.0192	5.000	SEM'L	685,000.00	232,687.50	917,687.50	685,000.00	466,375.00	1,150,375.00
10.0192	.000	0	.00	215,562.50	215,562.50	.00	.00	.00
4.0193	5.000	SEM'L	715,000.00	215,562.50	930,562.50	715,000.00	431,125.00	1,146,125.00
10.0193	.000	0	.00	197,687.50	197,687.50	.00	.00	.00
4.0194	5.000	SEM'L	745,000.00	197,687.50	942,687.50	745,000.00	395,375.00	1,140,375.00
10.0194	.000	0	.00	179,062.50	179,062.50	.00	.00	.00
4.0195	5.000	SEM'L	780,000.00	179,062.50	959,062.50	780,000.00	358,125.00	1,138,125.00
10.0195	.000	0	.00	159,562.50	159,562.50	.00	.00	.00
4.0196	5.000	SEM'L	825,000.00	159,562.50	984,562.50	825,000.00	319,125.00	1,144,125.00
10.0196	.000	0	.00	138,937.50	138,937.50	.00	.00	.00
4.0197	5.000	SEM'L	865,000.00	138,937.50	1,003,937.50	865,000.00	277,875.00	1,142,875.00
10.0197	.000	0	.00	117,312.50	117,312.50	.00	.00	.00
4.0198	5.000	SEM'L	915,000.00	117,312.50	1,032,312.50	915,000.00	234,625.00	1,149,625.00
10.0198	.000	0	.00	94,437.50	94,437.50	.00	.00	.00
4.0199	5.000	SEM'L	965,000.00	94,437.50	1,059,437.50	965,000.00	188,875.00	1,153,875.00
10.0199	.000	0	.00	70,312.50	70,312.50	.00	.00	.00
4.0100	4.500	SEM'L	1,015,000.00	70,312.50	1,085,312.50	1,015,000.00	140,625.00	1,155,625.00
10.0100	.000	0	.00	47,475.00	47,475.00	.00	.00	.00
4.0101	4.500	SEM'L	1,045,000.00	47,475.00	1,092,475.00	1,045,000.00	94,950.00	1,139,950.00
10.0101	.000	0	.00	23,962.50	23,962.50	.00	.00	.00
4.0102	4.500	SEM'L	1,065,000.00	23,962.50	1,088,962.50	1,065,000.00	47,925.00	1,112,925.00
.....
.0000	.000	0	13,155,000.00	6,056,913.75	19,211,913.75	13,155,000.00	6,056,913.75	19,211,913.75

MAXIMUM ANNUAL D-S
 AVERAGE ANNUAL D-S

1,168,632.50
 1,164,358.41

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL TUITION REVENUE BONDS
SERIES 1978 (\$32,200,000)

SUMMARY DEBT SERVICE REPORT

THE MORGAN BANK
PUBLIC FINANCE DEPARTMENT
INVESTMENT BANKING GROUP

PERIOD ENDING DATE	BOND COUPON RATE	INTEREST PAYMENT FREQUENCY	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	TOTAL DEBT SERVICE	PRINCIPAL DEBT SERVICE	INTEREST DEBT SERVICE	ANNUAL DEBT SERVICE
4.0186	5.000	SEM'L	1,895,000.00	653,563.75	2,548,563.75	1,895,000.00	653,563.75	2,548,563.75
10.0186	.000	0	.00	606,188.75	606,188.75	.00	.00	.00
4.0187	5.100	SEM'L	1,985,000.00	606,188.75	2,591,188.75	1,985,000.00	1,212,377.50	3,197,377.50
10.0187	.000	0	.00	555,571.25	555,571.25	.00	.00	.00
4.0188	5.100	SEM'L	2,065,000.00	555,571.25	2,620,571.25	2,065,000.00	1,111,142.50	3,176,142.50
10.0188	.000	0	.00	502,913.75	502,913.75	.00	.00	.00
4.0189	5.250	SEM'L	2,170,000.00	502,913.75	2,672,913.75	2,170,000.00	1,005,827.50	3,175,827.50
10.0189	.000	0	.00	445,951.25	445,951.25	.00	.00	.00
4.0190	5.300	SEM'L	2,285,000.00	445,951.25	2,730,951.25	2,285,000.00	891,902.50	3,176,902.50
10.0190	.000	0	.00	385,398.75	385,398.75	.00	.00	.00
4.0191	5.400	SEM'L	2,415,000.00	385,398.75	2,800,398.75	2,415,000.00	770,797.50	3,185,797.50
10.0191	.000	0	.00	320,193.75	320,193.75	.00	.00	.00
4.0192	5.500	SEM'L	2,400,000.00	320,193.75	2,720,193.75	2,400,000.00	640,387.50	3,040,387.50
10.0192	.000	0	.00	254,193.75	254,193.75	.00	.00	.00
4.0193	5.600	SEM'L	2,400,000.00	254,193.75	2,654,193.75	2,400,000.00	508,387.50	2,908,387.50
10.0193	.000	0	.00	186,993.75	186,993.75	.00	.00	.00
4.0194	5.750	SEM'L	2,395,000.00	186,993.75	2,581,993.75	2,395,000.00	373,987.50	2,768,987.50
10.0194	.000	0	.00	118,137.50	118,137.50	.00	.00	.00
4.0195	5.800	SEM'L	2,340,000.00	118,137.50	2,458,137.50	2,340,000.00	236,275.00	2,576,275.00
10.0195	.000	0	.00	50,277.50	50,277.50	.00	.00	.00
4.0196	5.950	SEM'L	1,690,000.00	50,277.50	1,740,277.50	1,690,000.00	100,555.00	1,790,555.00
.0000	.000	0	24,040,000.00	7,505,203.75	31,545,203.75	24,040,000.00	7,505,203.75	31,545,203.75

MAXIMUM ANNUAL D-S
AVERAGE ANNUAL D-S

3,197,377.50
3,004,305.12

THE UNIVERSITY OF TEXAS SYSTEM
 ALL OUTSTANDING GENERAL FEE REVENUE BONDS
 TOTAL OUTSTANDING DEBT PRIOR TO REFUNDING

CUMULATIVE DEBT SERVICE SCHEDULE

THE MORGAN BANK
 PUBLIC FINANCE DEPARTMENT
 INVESTMENT BANKING GROUP

REPORTING PERIOD	PRINCIPAL DEBT SERVICE TO MATURITY	INTEREST DEBT SERVICE TO MATURITY	TOTAL DEBT SERVICE TO MATURITY	AMOUNT TOTAL BONDS OUTSTANDING	PERCENT TOTAL PRINCIPAL RETIRED
	5,430,000.00	5,579,132.50	11,009,132.50	100,575,000.00	5.122
	5,690,000.00	5,297,035.00	10,987,035.00	94,885,000.00	10.490
	5,985,000.00	5,004,017.50	10,989,017.50	88,900,000.00	16.136
	6,305,000.00	4,692,482.50	10,997,482.50	82,995,000.00	22.084
	6,650,000.00	4,360,032.50	11,010,032.50	75,945,000.00	28.357
	6,860,000.00	4,006,960.00	10,866,960.00	59,085,000.00	34.829
	7,100,000.00	3,639,762.50	10,739,762.50	61,985,000.00	41.526
	7,345,000.00	3,256,537.50	10,600,537.50	54,640,000.00	48.455
8.3196	7,560,000.00	2,853,610.00	10,413,610.00	47,080,000.00	55.587
8.3196	7,195,000.00	2,437,075.00	9,632,075.00	39,865,000.00	62.374
8.3197	5,805,000.00	2,040,390.00	7,845,390.00	34,000,000.00	67.851
8.3198	6,125,000.00	1,729,090.00	7,853,090.00	27,955,000.00	73.629
8.3199	6,460,000.00	1,395,920.00	7,855,920.00	21,495,000.00	79.723
8.3100	6,815,000.00	1,045,580.00	7,860,580.00	14,580,000.00	86.152
8.3101	7,155,000.00	707,775.00	7,872,775.00	7,515,000.00	92.911
8.3102	7,515,000.00	370,425.00	7,885,425.00	.00	100.000
000	106,005,000.00	48,413,825.00	154,418,825.00	.00	.000

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of June , 1986 (the "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and MBank Dallas, National Association, Dallas, Texas (the "Bank"), a national banking association duly organized and operating under the laws of the United States of America.

RECITALS OF THE ISSUER

The Issuer has duly authorized and provided for the issuance of its bonds, entitled "Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986" (the "Bonds") in an aggregate principal amount of \$85,365,000 to be issued as fully registered bonds without coupons, in the denomination of any integral multiple of \$5,000, pursuant to a Resolution adopted by the Issuer on June 5, 1986 (the "Bond Resolution");

All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer is desirous that the Bank act as the Paying Agent of the Issuer in paying the principal of and interest on the Bonds, in accordance with the terms thereof, that the Bank act as Registrar for the Bonds, and that the Bank act as custodian for the benefit of the registered owners of the Bonds of a surety bond issued by Municipal Bond Insurance Association guaranteeing certain payments by the Issuer on the Bonds;

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

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE

APPOINTMENT OF THE BANK AS PAYING AGENT AND REGISTRAR

Section 1.01. Appointment.

The Issuer hereby appoints the Bank to act as Paying Agent with respect to the Bonds, in paying to the Registered Owners of the Bonds in accordance with the terms and provisions of this Agreement and the Bond Resolution, the principal of and interest on all or any of the Bonds.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds.

The Bank hereby accepts its appointment, and agrees to act as, the Paying Agent and Registrar.

Section 1.02. Consideration.

The consideration for the Bank being named and acting as Paying Agent/Registrar for the Bonds is set forth in Annex A hereto.

ARTICLE TWO

DEFINITIONS

Section 2.01. Definitions.

In addition to the terms defined above, and for all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

"Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York, and includes any reinsuring surety permitted under the Financial Guaranty Agreement.

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

"Bond Register" means Bond Registration Book, or other record of the Persons in whose names Bonds are registered, required to be maintained by the Bank pursuant to Section 4.04 hereof.

"Bond Resolution" means the resolution of the Issuer adopted June 5, 1986, pursuant to which the Bonds are issued, certified by the Executive Secretary of the Issuer or any other officer of the Issuer and delivered to the Bank.

"Demand for Payment" means the certificate submitted by the Paying Agent/Registrar for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement dated the date of initial delivery of the Bonds by and between the Issuer and the Association, as the same may be amended.

"Issuer Request" and "Issuer Order" means a written request or order signed in the name of the Issuer by the Chairman, Vice Chairman or Executive Secretary of the Issuer and delivered to the Bank.

"Notice" means the notice of deposit to be given from time to time by the Issuer to the Paying Agent/Registrar pursuant to Section 3.03 hereof, in substantially the form attached hereto as Annex B.

"Paying Agent/Registrar" means the Bank when it is performing the functions associated with such terms in this Agreement.

"Person" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

"Record Date" means with respect to each date upon which interest is due and payable on any Bond, the last day of the month preceding such interest payment date.

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

"Registered Owner" means a Person in whose name a Bond is registered in the Bond Register.

"Responsible Officer" when used with respect to the Bank means the Chairman or Vice Chairman of the Board of Directors, the Chairman or Vice Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, or any other officer of the Bank customarily performing functions similar to those performed by any of the above-designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

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

"Surety Bond" means that surety bond issued by the Association guaranteeing, subject to the terms and limitations thereof, payments of interest on and principal of the Bonds required to be made by the Issuer, substantially in the form attached to the Financial Guaranty Agreement as Annex A.

"Surety Bond Coverage" means the amount available at any particular time to be paid under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means \$7,278,592.90.

ARTICLE THREE

THE PAYING AGENT

Section 3.01. Duties of the Paying Agent.

Pursuant to the requirements of the Bond Resolution the Issuer will cause funds for the payment of the principal of and interest on the Bonds to be provided to the Bank not later than each date upon which such principal and/or interest are due and payable as provided in the Bond Resolution.

As Paying Agent, the Bank shall pay to the Registered Owner on behalf of the Issuer, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, the principal of each Bond at its Stated Maturity or Redemption Date, upon surrender of the Bond to the Bank at the Bank Office.

As Paying Agent, the Bank shall pay to the Registered Owner on behalf of the Issuer, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, the redemption premium due on each Bond called for early redemption prior to its Stated Maturity, upon surrender of the Bond to the Bank at the Bank Office on the Redemption Date.

As Paying Agent, the Bank shall pay on behalf of the Issuer, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, the interest on each Bond when due, by computing the amount of interest to be paid each Registered Owner, preparing the checks and mailing the checks on the payment date, to the Registered Owner of each Bond as shown on the Bond Register at the close of business on the Record Date. Such checks are to be mailed in accordance with the provisions of the Bond Resolution to the address of such Registered Owner appearing on the Bond Register.

Section 3.02. Payment Date.

The Issuer hereby instructs the Bank to pay the principal of and interest on the Bonds on the dates specified in the Bond Resolution.

Section 3.03 Surety Bond; Notice and Demand for Payment.

Concurrently with the issuance of the Bonds, the Issuer shall cause the Surety Bond to be delivered to the Bank in accordance with the provisions of the Bond Resolution. The Bank shall hold the Surety Bond as custodian for the benefit of the Registered Owners of the Bonds.

On or before February 1, 1987, and semiannually on or before each August 1 and February 1 thereafter for so long as the Surety Bond remains in effect, the Issuer shall deliver to the Bank a Notice, signed in the name of the Issuer by an authorized financial officer of The University

of Texas System, indicating whether the deposits required to be made to the credit of the Interest and Sinking Fund established by the Bond Resolution have been made in an amount sufficient to pay interest on and principal of the Bonds on the following February 15 or August 15, as the case may be. In the event that any such Notice indicates that such deposits are insufficient for such purpose, the Bank, by no later than the February 10 or August 10, as the case may be, immediately following receipt of such Notice, shall deliver a Demand for Payment to the Association in the amount of the deficiency indicated by such Notice (or in an amount equal to the Surety Bond Coverage, if less than the amount of such deficiency). The Bank shall apply amounts received under the Surety Bond in order to effect payment in full of interest on and principal of the Bonds owing on the immediately following Bond payment date.

Immediately following receipt of any amounts paid by the Association under the Surety Bond, the Bank shall give the Issuer written notice of the date of receipt and amount of any such payment.

ARTICLE FOUR

REGISTRAR

Section 4.01. Initial Registration of Bonds.

Initially a single bond (the "Initial Bond") representing the entire principal amount of the Bonds shall be delivered by the Bank to the initial purchaser of the Bonds as provided in the Bond Resolution and pursuant to written instructions of the Issuer. If the Bank is in receipt, at least five (5) business days prior to the date of delivery of and payment for the Initial Bond, of written instructions (on forms to be provided in advance by the Bank) from the initial purchaser of the Initial Bond, designating the names in which the substitute Bonds are to be registered, the addresses of the Registered Owners, the maturities, the interest rates and denominations, then the Bank, upon payment for the Initial Bond, shall cancel the Initial Bond and deliver, without cost, registered substitute Bonds pursuant to such instructions, all in accordance with the Bond Resolution.

Section 4.02. Transfer and Exchange of Bonds.

The Bank shall keep at the Bank Office the Bond Register in which, subject to such reasonable written regulations as it may prescribe, the Bank shall provide for the registration, exchange and transfer of Bonds. The Bank is hereby appointed "Registrar" for the purpose of registering, transferring and exchanging of Bonds as herein provided. The Bank agrees to maintain the Bond Register while it is Registrar.

Each Bond shall be transferable only upon the presentation and surrender thereof at the Bank with such endorsement or other evidence of transfer acceptable to the Bank. No transfer of any Bond shall be effective until entered on the Bond Register. A new Bond or Bonds will be delivered by the Bank to the last assignee in exchange for such transferred and assigned Bonds within seventy-two (72) hours after receipt of the Bonds to be transferred in proper form and with proper instructions directing such transfer.

All Bonds shall be exchangeable upon the presentation and surrender thereof at the Bank for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond presented for exchange. All Bonds delivered in exchange for other Bonds shall be authenticated and registered so that neither gain nor loss in interest shall result from such exchange. The Bank shall authenticate and deliver exchange Bonds in accordance with the provisions hereof and the Bond Resolution.

No service charge shall be made to the Registered Owner for the initial registration or any subsequent transfer or exchange of the Bonds, but the Bank shall require the owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the registration, transfer, exchange, or discharge from registration of such Bond.

Section 4.03. Unauthenticated Bonds.

The Issuer shall provide an adequate inventory of unauthenticated Bonds to facilitate transfers. The Bank covenants that it will maintain such unauthenticated Bonds in safekeeping and will use reasonable care in maintaining such Bonds in safekeeping, which shall be not less than the

care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own bonds.

Section 4.04. Form of Bond Register.

The Bank as Registrar will maintain the records of the Bond Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain such Register in any form other than one the Bank currently has available and utilizes at the time.

Section 4.05. List of Bond Owners.

At any time requested by the Issuer, the Bank will provide the Issuer a copy of the information contained in the Bond Register. The Issuer also may inspect the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time shall be allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any person other than to, or at the written request of, as authorized officer or employee of the Issuer, except upon receipt of a subpoena or court order. Upon receipt of a subpoena or court order the Bank will notify the Issuer so that the Issuer may contest such subpoena or court order.

Section 4.06. Return of Cancelled Bonds.

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

Section 4.07. Mutilated, Destroyed, Lost, or Stolen Bonds.

Upon the presentation and surrender to the Bank of a mutilated Bond, the Bank shall, subject to the requirements and provisions of the Bond Resolution, authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount.

In the event that any Bond is lost, apparently destroyed, or wrongfully taken, the Bank shall authenticate and deliver a replacement bond of like tenor and principal amount, subject to the requirements and provisions of the Bond Resolution.

Section 4.08. Transaction Information to the Issuer.

Within a reasonable time after receipt of a written request from the Issuer, the Bank will furnish the Issuer information concerning the Bonds it has paid pursuant to Section 3.01, Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Sections 4.01 and 4.02, and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Bonds pursuant to Section 4.07.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of the Bank.

The Bank undertakes to perform the duties set forth herein and in accordance with the Bond Resolution and agrees to use reasonable care in the performance thereof. The Bank hereby agrees to use the funds deposited with it for payment of the principal of and interest on the Bonds to pay the Bonds as the same shall become due and further agrees to establish and maintain all accounts and funds as may be required for the Bank to function as Paying Agent.

Section 5.02. Reliance on Documents, Etc.

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

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it be proved that the Bank was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely upon, and shall be protected in acting or refraining from acting upon, any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Bonds, but is protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer that appears on its face to be signed by a Registered Owner or an attorney-in-fact of the Registered Owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by the Issuer.

(e) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

Section 5.03. Recitals of the Issuer.

The recitals contained herein and in the Bonds shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness.

The Bank in no event shall be liable to the Issuer, any Registered Owner or Owners of any Bond or any other Person to pay any amount due on any Bond from its own funds other than those paid to the Bank pursuant to the Agreement and the Bond Resolution.

Section 5.04. May Own Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds and otherwise may deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. Moneys Held by the Bank.

Money held by the Bank hereunder need not be segregated from any other funds, provided appropriate accounts are maintained.

The Bank shall be under no liability for interest on any money received by it hereunder.

Any money deposited with the Bank for the payment of the principal, premium (if any), or interest on any Bond and remaining unclaimed for two years after such deposit will be paid by the Bank to the Issuer, and the Registered Owner of such Bond shall thereafter look only to the Issuer for payment thereof, and all liability of the Bank with respect to such moneys shall thereupon cease.

ARTICLE SIX

MISCELLANEOUS PROVISIONS

Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereof.

Section 6.02. Assignment.

This Agreement may not be assigned by either party hereto without the prior written consent of the other.

Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the last page hereof.

Section 6.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 6.06. Severability.

In case any provision herein shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining covenants shall not be affected or impaired thereby in any way.

Section 6.07. Benefits of Agreement.

Nothing herein, expressed or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 6.08. Entire Agreement.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar. If any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Term and Termination.

This Agreement shall be effective from and after its date for a term ending on the earlier to occur of the Stated Maturity or Redemption Date of the last Bond to mature or be redeemed, and may be terminated by the Issuer for cause at any time upon 120 days written notice to the Bank, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event of early termination, regardless of circumstances, the Bank shall deliver to the Issuer or its designee all books and records pertaining to the Bank's role as Paying Agent/Registrar with respect to the Bonds, including, but not limited to, the Bond Register.

Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By _____
M.E. Patrick
Executive Vice Chancellor
for Asset Management

Address:
The University of Texas System
210 West 6th Street
Austin, Texas 78701
Attention: Manager of Debt
Administration

MBANK DALLAS, NATIONAL ASSOCIATION
DALLAS, TEXAS

By _____
Title:

Address:
MBank Dallas, National Association
Debt Administration Division
108 South Akard
Dallas, Texas 75202

ATTEST:

Title:

(SEAL)

ANNEX A

The Board of Regents will pay to the Bank \$7,100.00 as a one-time lump sum to act as Paying Agent/Registrar for the Bonds.

ANNEX B
FORM OF NOTICE

MBank.Dallas, National Association
Debt Administration Division
108 South Akard
Dallas, Texas 75202

Re: Board of Regents of The University of Texas System
General Tuition Revenue Refunding Bonds, Series 1986

Dear Sir or Madam:

In accordance with the requirements of the Paying Agent/Registrar Agreement (the "Agreement") pertaining to the captioned bonds (the "Bonds") between your bank and the Board of Regents of The University of Texas System, we hereby notify you of the following:

- a. \$ _____ is currently on deposit to the credit of the Interest and Sinking Fund for the Bonds and available to pay the interest scheduled to accrue and come due on the Bonds, and the principal of the Bonds scheduled to mature or to be redeemed prior to maturity on the next succeeding Bond payment date, which is [February] [August] 15, _____ (the "Payment Date").
- b. The amount necessary to pay such interest on and principal of the Bonds on the Payment Date is \$ _____, which includes:
 - (i) \$ _____ to pay the interest scheduled to accrue and come due on the Bonds on the Payment Date, and
 - (ii) \$ _____ to pay the principal of the Bonds scheduled to mature or to be redeemed prior to maturity on the Payment Date.

To the extent, if any, that the amount set forth in paragraph (a) above is insufficient to pay the amounts due on the Payment Date, as set forth in paragraph (b) above, you are hereby instructed and authorized to make a Demand

for Payment, as defined in the Agreement, on the Municipal Bond Insurance Association in accordance with the requirements of Section 3.03 of the Agreement and the terms of the Surety Bond, as defined in the Agreement, in order to effect the payment in full of the amounts due on the Payment Date to the registered owners of the Bonds.

Date: _____

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Title: _____

BIDS FOR PAYING AGENT/REGISTRAR
 \$85,365,000
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 GENERAL TUITION REVENUE REFUNDING BONDS, SERIES 1986

Tabulation of Bids Received:
 April 24, 1986, 12:00 Noon, C.S.T.

BIDDER	BID
MBank Dallas Dallas, Texas	Will charge Board of Regents \$7,100 one time up front to be paid at closing.
RepublicBank Dallas Dallas, Texas	Will charge Board of Regents Fixed Annual fee - 1st year payable at time of closing and there- after on each anniversary date in advance plus out of pocket expenses \$2,500.
MBank Austin Austin, Texas	Will charge Board of Regents \$32,000 one time up front fee if maturity of 2004 is correct.
First City National Bank of Austin Austin, Texas	Will charge Board of Regents \$40,000 one time up front fee with travel costs and expenses reimbursed.
InterFirst Bank Dallas, N.A. Dallas, Texas	Will charge Board of Regents \$40,450 one time up front fee and be reimbursed for all out of pocket expenses for closing at locations outside of Dallas.

DRAFT JUNE 4, 1986

FINANCIAL GUARANTY AGREEMENT

FINANCIAL GUARANTY AGREEMENT made as of June ___, 1986 by and between the Board of Regents of The University of Texas System, (the "Obligor"); and MUNICIPAL BOND INSURANCE ASSOCIATION (the "Association"), an unincorporated voluntary association of insurance companies organized under the laws of the State of New York.

W I T N E S S E T H :

WHEREAS, the Issuer (as hereinafter defined) has or will issue the Obligations (as hereinafter defined); and

WHEREAS, pursuant to the terms of the Document (as hereinafter defined) the Obligor agrees to make certain payments, which payments will be made, in accordance with the terms of the Document, directly to the Paying Agent (as hereinafter defined); and

WHEREAS, the Association will issue its Surety Bond, substantially in the form set forth in Annex A to this Agreement, guaranteeing certain payments by the Obligor subject to the terms and limitations of the Surety Bond; and

WHEREAS, to induce the Association to issue the Surety Bond, the Obligor has agreed to pay the premium for the Surety Bond and to reimburse the Association for all payments made by the Association under the Surety Bond from the source described in Section 2.03 hereof, all as more fully set forth in this Agreement; and

WHEREAS, the Obligor understands that the Association expressly requires the delivery of this Financial Guaranty Agreement as part of the consideration for the execution by the Association of the Surety Bond; and

NOW, THEREFORE, in consideration of the premises and of the agreements herein contained and of the execution of the Surety Bond, the Obligor and the Association agree as follows:

ARTICLE I

DEFINITIONS; SURETY BOND

Section 1.01. Definitions. The terms which are capitalized herein shall have the meanings specified in Annex B hereto.

Section 1.02. Surety Bond.

(a) The Association will issue the Surety Bond in accordance with and subject to the terms and conditions of the Commitment.

(b) The maximum liability of the Association under the Surety Bond and the coverage and term thereof shall be subject to and limited by the terms and conditions of the Surety Bond.

Section 1.03. Premium. In consideration of the Association agreeing to issue the Surety Bond hereunder, the Obligor hereby agrees to pay or cause to be paid from the source described in Section 2.03 hereof the premium set forth in the Commitment.

Section 1.04. Certain Other Expenses. The Obligor will pay all reasonable fees and disbursements of the Association's special counsel related to any modification of this Agreement or the Surety Bond.

ARTICLE II

REIMBURSEMENT OBLIGATIONS OF OBLIGOR AND SECURITY THEREFOR

Section 2.01. Reimbursement for Payments Under the Surety Bond and Expenses.

(a) (i) The Obligor will reimburse the Association, from the source described in Section 2.03 hereof within the Reimbursement Period, without demand or notice by the Association to the Obligor or any other person, to the extent of each Surety Bond Payment with interest on each Surety Bond Payment from and including the date made to and excluding the date of the reimbursement by the Obligor at the Reimbursement Rate.

(ii) Notwithstanding anything contained herein to the contrary:

(A) if the rate or amount of interest applicable to an unreimbursed Surety Bond Payment, when calculated or determined under the foregoing provisions of clause 2.01(a) (i) of this Section, at any time would exceed the Maximum Interest Rate or would produce an amount which would be greater than the amount of interest determined at such rate, then the applicable rate and amount of interest payable in regard to the unreimbursed Surety Bond Payment shall be reduced to the Maximum Interest Rate and the amount determined at a rate per annum equal to the Maximum Interest Rate; and

(B) in the event that the amount of interest accrued in respect of any unreimbursed Surety Bond Payment is, as a result of the above limitations, less than the amount of interest which would have otherwise accrued at a rate determined solely under clause 2.01(a)(i) above in this Section, then the unreimbursed Surety Bond Payment will continue to bear interest at the Maximum Interest Rate until such date as the cumulative amount of interest accrued on the unreimbursed Surety Bond Payment equals the cumulative amount of interest which would otherwise have accrued in accordance with clause 2.01(a)(i) of this Section ("Interest Recapture"), at which date the rate of interest on the unreimbursed Surety Bond Payment shall revert to the rate otherwise provided for in clause 2.01(a)(i) of this Section; and to the extent and for such periods as is necessary for the Association to obtain Interest Recapture as to any Surety Bond Payment previously made and reimbursed, each subsequent unreimbursed Surety Bond Payment made prior to Interest Recapture in respect of a previous Surety Bond Payment shall itself bear interest at the Maximum Interest Rate until Interest Recapture in respect of such prior Surety Bond Payment shall occur; and

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

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

(b) The Obligor also agrees to reimburse the Association, from the source described in Section 2.03 hereof, immediately and unconditionally upon demand for

all reasonable expenses incurred by the Association in connection with and the enforcement by the Association of the Obligor's obligations under this Agreement and the Document, together with interest on all such expenses from and including the date incurred to the date of payment at the rate set forth in subsection (a) of this Section 2.01.

Section 2.02. Allocation of Payments. The Association and the Obligor hereby agree that each payment received by the Association from or on behalf of the Obligor as a reimbursement to the Association as required by Section 2.01 hereof shall be applied by the Association first, toward repayment of the aggregate Surety Bond Payments made by the Association and not yet repaid, payment of which will reinstate all or a portion of the Surety Bond Coverage to the extent of such repayment (but not to exceed the Surety Bond Limit) and upon full reinstatement of the Surety Bond Coverage to the Surety Bond Limit, toward other amounts, including, without limitation, principal and interest payable with respect to any surety bond payments, then due to the Association.

Section 2.03. Security for Payments; Instruments of Further Assurance. The obligation of the Obligor to pay all amounts due hereunder is and shall be secured by and payable from a subordinate lien on and pledge of the "Pledged Revenues" (as defined in the Document), which lien and pledge created or granted under this Section 2.03 shall be subordinate only to the first lien on and pledge of such "Pledged Revenues" granted in favor of the Owners pursuant to the Document. The Obligor agrees that it will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any and all other further instruments as may be required by law or as shall reasonably be requested by the Association for the preservation and protection of all rights of the Association under this Section 2.03.

Section 2.04. Unconditional Obligation. The obligations of the Obligor hereunder are absolute and unconditional and will be paid or performed strictly in accordance with this Agreement, subject to the limitations of the Document, irrespective of:

(a) any lack of validity or enforceability of, or any amendment or other modification of, or waiver with respect to the Obligations or the Document;

(b) any exchange, release or nonperfection of any security interest in property securing the Obligations or this Agreement or any obligations hereunder;

(c) any circumstances which might otherwise constitute a defense available to, or discharge of, the Obligor with respect to the Obligations;

(d) whether or not such obligations are contingent or matured, disputed or undisputed, liquidated or unliquidated.

ARTICLE III

AMENDMENTS TO DOCUMENT

So long as this Agreement is in effect, the Obligor agrees that it will not agree to amend the Document without the prior written consent of the Association.

ARTICLE IV

EVENTS OF DEFAULT; REMEDIES

Section 4.01. Events of Default. The following events shall constitute Events of Default hereunder:

(a) The Obligor shall fail to pay to the Association any amount payable under Sections 1.04 and 2.01 hereof and such failure shall have continued for a period in excess of the Reimbursement Period; or

(b) Any material representation or warranty made by the Obligor under the Document or hereunder or any statement in the application for the Surety Bond or any report, certificate, financial statement or other instrument provided in connection with the Commitment, the Surety Bond or herewith shall have been materially false at the time when made; or

(c) Except as otherwise provided in this Section 4.01, the Obligor shall fail to perform any of its other obligations under the Document or hereunder, provided that such failure continues for more than 30 days after receipt by the Obligor of notice of such failure to perform;

(d) The Obligor shall (i) voluntarily commence any proceeding or file any petition seeking relief under of the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in

a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing;

(e) An involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Obligor, or of a substantial part of its property, under of the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Obligor or for a substantial part of its property; and such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall continue unstayed and in effect for 30 days.

Section 4.02. Remedies. If an Event of Default shall occur and be continuing, then the Association may take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under this Agreement or to enforce performance of any obligation of the Obligor to the Association under the Document or any related instrument, and any obligation, agreement or covenant of the Obligor under this Agreement; provided, however, that the Association may not take any action to direct or require acceleration or other early redemption of the Obligations or adversely affect the rights of the Owners. All rights and remedies of the Association under this Section 4.02 are cumulative and the exercise of any one remedy does not preclude the exercise of one or more of the other available remedies.

ARTICLE V

SETTLEMENT

The Association shall have the exclusive right to decide and determine whether any claim, liability, suit or judgment made or brought against the Association, the Obligor or any other party on the Surety Bond shall or shall not be paid, compromised, resisted, defended, tried or appealed, and the Association's decision thereon, if made in good faith, shall be final and binding upon the Obligor. An itemized statement of payments made by the Association, certified by an officer of the Association, with a copy of the

voucher or vouchers for such payments attached, shall be prima facie evidence of the liability of the Obligor, and if the Obligor fails to immediately reimburse the Association upon the receipt of such statement of payments, interest shall be computed on such amount from the date of any payment made by the Association at the rate set forth in subsection (a) of Section 2.01 hereof.

The Obligor shall submit annually to the Association its records of Surety Bond Payments received and remaining unpaid, the respective dates such Surety Bond Payments were made, the interest accrued at the Reimbursement Rate on each Surety Bond Payment and the aggregate of such interest due by the Obligor to the Association.

ARTICLE VI

MISCELLANEOUS

Section 6.01. Computations. All computations of premium, interest and fees hereunder shall be made on the basis of the actual number of days elapsed over a year of 360 days.

Section 6.02. Exercise of Rights. No failure or delay on the part of the Association to exercise any right, power or privilege under this Agreement and no course of dealing between the Association and the Obligor or any other party shall operate as a waiver of any such right, power or privilege, nor shall any single or partial exercise of any such right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Association would otherwise have pursuant to law or equity. No notice to or demand on any party in any case shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the other party to any other or further action in any circumstances without notice or demand.

Section 6.03. Amendment and Waiver. Any provision of this Agreement may be amended, waived, supplemented, discharged or terminated only with the prior written consent of the Obligor and the Association. The Obligor hereby agrees that upon the written request of the Paying Agent, the Association may make or consent to issue any substitute for the Surety Bond to cure any ambiguity or formal defect or omission in the Surety Bond which does not materially change the terms of the Surety Bond nor adversely affect the rights of the Owners, and this Agreement shall apply to such substituted surety bond. The Association agrees to deliver to the Obligor and to the company or companies, if any, rating the Obligations, a copy of such substituted surety bond.

Section 6.04. Successors and Assigns; Descriptive Headings.

(a) This Agreement shall bind, and the benefits thereof shall inure to, the Obligor and the Association and their respective successors and assigns; provided, that the Obligor may not transfer or assign any or all of its rights and obligations hereunder without the prior written consent of the Association.

(b) The descriptive headings of the various provisions of this Agreement are inserted for convenience of reference only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.05. Other Sureties. If the Association shall procure any other surety to reinsure the Surety Bond, this Agreement shall inure to the benefit of such other surety, its successors and assigns, so as to give to it a direct right of action against the Obligor to enforce this Agreement, and "the Association," wherever used herein, shall be deemed to include such reinsuring surety, as its respective interests may appear.

Section 6.06. Signature on Bond. The Obligor's liability shall not be affected by its failure to sign the Surety Bond nor by any claim that other indemnity or security was to have been obtained nor by the release of any indemnity, nor the return or exchange of any collateral that may have been obtained.

Section 6.07. Waiver. The Obligor waives any defense that this Agreement was executed subsequent to the date of the Surety Bond, admitting and covenanting that such Surety Bond was executed pursuant to the Obligor's request and in reliance on the Obligor's promise to execute this Agreement.

Section 6.08. Notices, Requests, Demands. Except as otherwise expressly provided herein all written notices, requests, demands or other communications to or upon the respective parties hereto shall be deemed to have been given or made when actually received, or in the case of telex or telecopier notice sent over a telex or a telecopier machine owned or operated by a party hereto, when sent, addressed as specified below or at such other address as any of the parties hereto or the Obligor may hereafter specify in writing to the others:

If to the Obligor:	The University of Texas System 210 W. 6th Street Austin, Texas 78701 Attention: Executive Vice Chancellor for Asset Management
If to the Paying Agent:	MBank Dallas, National Association Debt Administration Division 108 South Akard Dallas, Texas 75202
If to the Association:	Municipal Bond Insurance Association c/o Municipal Issuers Service Corporation 34 South Broadway White Plains, New York 10602 Attention: President, Municipal Issuers Service Corporation

Section 6.09. Limitation on Optional Redemption. The Obligor agrees that it will not call any Obligations for optional redemption at any time when it owes any amount to the Association under this Agreement.

Section 6.10. Amendments of Document; Additional Obligations. The Obligor shall not amend the Document without the prior written consent of the Association, which consent shall not be unreasonably withheld. Prior to the issuance of any additional obligations under the Document, the Obligor shall provide to the Association signed copies of the certificates required by Section 20 of the Document.

Section 6.11. Notice of Redemption. The Obligor agrees to provide the Association with copies of any notice of redemption which is given pursuant to the Document.

Section 6.12. Third Party Beneficiary. The Obligor agrees that the Association shall be a third party beneficiary to the Document and that the terms, conditions and obligations contained in the Document which benefit the Association are specifically enforceable by the Association.

Section 6.13. Survival of Representations and Warranties. All representations, warranties and obligations contained herein shall survive the execution and delivery of this Agreement and the Surety Bond.

Section 6.14. Governing Law. This Agreement and the rights and obligations of the parties under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Texas.

Section 6.15. Counterparts. This Agreement may be executed in any number of copies and by the different parties hereto on the same or separate counterparts, each of which shall be deemed to be an original instrument. Complete counterparts of this Agreement shall be lodged with the Obligor and the Association.

Section 6.16. Severability. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

Board of Regents of The University
of Texas System

By _____
Title _____

MUNICIPAL BOND INSURANCE ASSOCIATION
The Aetna Casualty and Surety Company
Fireman's Fund Insurance Company
The Travelers Indemnity Company
Aetna Insurance Company
The Continental Insurance Company

By MUNICIPAL ISSUERS SERVICE CORPORATION

By _____
President

By _____
Secretary

ANNEX A
SURETY BOND

DRAFT JUNE 4, 1986

SURETY BOND

**Municipal Bond Insurance Association
White Plains, New York 10601**

Surety Bond No.

The insurance companies comprising the Municipal Bond Insurance Association (the "Association"), each of which participates and is liable hereunder severally and not jointly in the respective percentage set forth opposite its name, in consideration of the payment of the premium and subject to the terms of this Surety Bond, hereby unconditionally and irrevocably guarantee the full and complete payments which are to be applied to payment of principal of and interest on the Obligations (as hereinafter defined) and which are required to be made by or on behalf of the Board of Regents of The University of Texas System (the "Obligor") under the Resolution Authorizing the Issuance, Sale, and Delivery of the Obligations (the "Document") to MBank Dallas, National Association, Dallas, Texas (the "Paying Agent"), as such payments are due by the Obligor but shall not be so paid, in connection with the issuance by the Obligor of \$ _____ Board of Regents of The University of Texas System, General Tuition Revenue Refunding Bonds, Series 1986 (together with any bonds, excluding bonds issued for the purpose of refunding the Obligations, issued on a parity therewith, the "Obligations"); provided, that the amount available hereunder for payment pursuant to any one Demand for Payment (as hereinafter defined) shall not exceed \$ _____ (the "Surety Bond Limit"); provided, further, that the amount available at any particular time to be paid to the Paying Agent under the terms hereof (the "Surety Bond Coverage") shall be reduced and may be reinstated from time to time as set forth herein. In no event shall the Surety Bond Coverage exceed the Surety Bond Limit.

1. As used herein, the term "Owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the applicable paying agent, the Obligor or any designee of the Obligor for such purpose. The term "Owner" shall not include the Obligor or any person or entity whose obligation or obligations by agreement constitute the underlying security or source of payment for the Obligations.

2. The insurance companies constituting the members of the Association are as follows:

The Aetna Casualty and Surety Company	33%
Fireman's Fund Insurance Company	30%
The Travelers Indemnity Company	15%
Aetna Insurance Company	12%
The Continental Insurance Company	10%

3. Upon the later of: (i) three (3) days after receipt by the General Manager of the Association of a demand for payment in the form attached hereto as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent; or (ii) the payment date of the Obligations as specified in the Demand for Payment presented by the Paying Agent to the Association, the Association, on behalf of its members, will make a deposit of funds in an account with Citibank, N.A., in New York, New York, or its successor, sufficient for the payment to the Paying Agent, in accordance with the directions of the Paying Agent, of amounts which are then due to the Paying Agent (all as specified in the Demand for Payment) subject to the Surety Bond Coverage.

4. Demand for Payment hereunder may be made by prepaid telecopy, telex, TWX or telegram of the executed Demand for Payment c/o the General Manager of the Association. If a Demand for Payment made hereunder does not, in any instance, conform to the terms and conditions of this Surety Bond, the Association shall give notice to the Paying Agent, as promptly as reasonably practicable that such Demand for Payment was not effected in accordance with the terms and conditions of this Surety Bond and briefly state the reason(s) therefor. Upon being notified that such Demand for Payment was not effected in accordance with this Surety Bond, the Paying Agent may attempt to correct any such nonconforming Demand for Payment if, and to the extent that, the Paying Agent is entitled and able to do so.

5. The amount payable by the Association under this Surety Bond pursuant to a particular Demand for Payment shall be limited to the Surety Bond Coverage. The Surety Bond Coverage shall be reduced automatically to the extent of each payment made by the Association hereunder and will be reinstated to the extent of each reimbursement of the Association by the Obligor pursuant to Article II of the Financial Guaranty Agreement between the Association and the Obligor (the "Financial Guaranty Agreement"); provided, that in no event shall such reinstatement exceed the Surety Bond Limit. The Association will notify the Paying Agent, in writing within five (5) days of such reimbursement, that the Surety Bond Coverage has been reinstated to the extent of such reimbursement pursuant to the Financial Guaranty Agreement and such reinstatement shall be effective as of the date the Association gives such notice. The notice to the Paying Agent will be substantially in the form attached hereto as Attachment 2.

6. Any service of process on the members of the Association may be made to the Association, one of the members of the Association or the General Manager of the Association or the General Agent of the Association and such service of process shall be valid and binding as to the Association and each of its members. During the term of its appointment, Municipal Issuers Service Corporation will act as the General Manager of the Association and its offices are located at 34 South Broadway, White Plains, New York 10601.

7. This Surety Bond is noncancelable for any reason. The term of this Surety Bond shall expire on the earlier of (i) [should be final maturity date of the original issue of Obligations] or (ii) the date on which the Obligor has made all payments required to be made on the Obligations pursuant to the applicable indenture, trust agreement, ordinance, resolution or similar instrument. The premium on this Surety Bond is not refundable for any reason, including the payment prior to maturity of the Obligations.

8. This Surety Bond shall be governed by and interpreted under the laws of the State of New York, and any suit hereunder in connection with any payment may be brought only within one year after (i) a Demand for Payment, with respect to such payment, is made pursuant to the terms of this Surety Bond and the Association has failed to make such payment, or (ii) payment would otherwise have been due hereunder but for the failure on the part of the Paying Agent to deliver to the Association a Demand for Payment pursuant to the terms of this Surety Bond, whichever is earlier.

IN WITNESS WHEREOF, each of the members of the Association has caused this Surety Bond to be executed and attested on its behalf by the General Manager and General Agent of the Association, this _____ day of _____, 19__.

MUNICIPAL BOND INSURANCE ASSOCIATION

The Aetna Casualty and Surety Company
Fireman's Fund Insurance Company
The Travelers Indemnity Company
Aetna Insurance Company
The Continental Insurance Company

By MUNICIPAL ISSUERS SERVICE CORPORATION

President

Attest:

Secretary

DEMAND FOR PAYMENT

, 19

Municipal Bond Insurance Association
c/o Municipal Issuers Service Corporation
34 South Broadway
White Plains, New York 10601

Attention: President, Municipal Issuers
Service Corporation

Reference is made to the Surety Bond No. (the "Surety Bond") issued by the Municipal Bond Insurance Association (the "Association"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Paying Agent hereby certifies that:

(a) The Paying Agent has been notified by the Obligor that amounts on deposit in the Interest and Sinking Fund are insufficient to make the required payments due on the Obligations (the "Amount Due"). The Amount Due is payable to the Owners of the Obligations on _____.

(b) The Paying Agent has been notified by the Obligor that \$_____ has been deposited in the Interest and Sinking Fund from moneys paid by the Obligor or from other funds legally available for payment to the Owners of the Obligations, which amount is \$ less than the Amount Due (the "Deficiency").

(c) The Paying Agent has not heretofore made demand under the Surety Bond for the Amount Due or any portion thereof.

The Paying Agent hereby requests that payment of the Deficiency (subject to the Surety Bond Coverage) be made by the Association under the Surety Bond and directs that payment under the Surety Bond be made to the following account by bank wire transfer of federal or other immediately available funds in accordance with the terms of the Surety Bond:

_____ [Paying Agent's Account]

[PAYING AGENT]

By _____

Its _____

cc: Board of Regents of The University of Texas System

NOTICE OF REINSTATEMENT

, 19

[Paying Agent]
[Address]

Reference is made to the Surety Bond No. (the "Surety Bond") issued by the Municipal Bond Insurance Association (the "Association"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Surety Bond unless the context otherwise requires.

The Association hereby delivers notice that it is in receipt of payment from the Obligor pursuant to Article II of the Financial Guaranty Agreement and as of the date hereof the Surety Bond Coverage is \$_____.

MUNICIPAL BOND INSURANCE ASSOCIATION

The Aetna Casualty and Surety Company
Fireman's Fund Insurance Company
The Travelers Indemnity Company
Aetna Insurance Company
The Continental Insurance Company

By MUNICIPAL ISSUERS SERVICE CORPORATION

President

Attest:

Secretary

cc: Board of Regents of The University of Texas System

ANNEX B

DEFINITIONS

TERM SHEET

for \$7,278,592.97 Debt Service Reserve Fund
for the \$85,365,000 Board of Regents of The
University of Texas System, General Tuition Revenue Refunding Bonds
Series 1986

A. DEFINITIONS

The terms listed below shall have the following meanings for the purposes of this Term Sheet:

"Association" means Municipal Bond Insurance Association, a voluntary unincorporated association of insurance companies organized under the laws of the State of New York.

"Commitment" means the commitment to issue Municipal Bond Guaranty Insurance delivered by the Association to the Obligor.

"Debt Service Payments" shall have the meaning assigned to it in the Financial Guaranty Agreement.

"Demand for Payment" means the certificate submitted by the Paying Agent to the Association for payment under the Surety Bond substantially in the form attached to the Surety Bond as Attachment 1.

"Document" means Resolution.

"Financial Guaranty Agreement" means the Financial Guaranty Agreement by and between the Obligor and the Association.

"Issuer" means Board of Regents of The University of Texas System.

"Obligor" means Board of Regents of The University of Texas System.

"Obligations" means \$85,365,000 Board of Regents of The University of Texas System, General Tuition Revenue Refunding Bonds, Series 1986 together with any bonds, excluding bonds issued for the purpose of refunding the Obligations, issued on a parity therewith.

"Owners" means the registered owners of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer or any assignee of the Issuer for such purpose.

"Paying Agent" means MBank Dallas, National Association, Dallas, Texas.

"Premium" means 4% of Surety Bond Limit, payable at closing.

"Reimbursement Period" means one year.

"Reimbursement Rate" means Citibank's prime rate plus two (2) percent per annum, as of the date of such Surety Bond Payment, said "prime rate" being the rate of interest announced from time to time by Citibank, N.A., New York, New York, as its prime rate. The rate of interest shall be calculated on the basis of a 360-day year.

"Reserve Requirement" means the "Required Amount" as defined in the Document.

"Surety Bond" means that surety bond issued by the Association guaranteeing, subject to the terms and limitations thereof, payments of interest on and principal of the Bonds required to be made by the Obligor under the Document, substantially in the form attached to the Financial Guaranty Agreement as Annex A.

"Surety Bond Coverage" means the amount available at any particular time to be paid to the Paying Agent under the terms of the Surety Bond, which amount shall never exceed the Surety Bond Limit.

"Surety Bond Limit" means \$7,278,592.97.

"Surety Bond Payment" means the deficiency amount set forth in the Obligor's notice to the Paying Agent delivered pursuant to the Document, all as certified by the Paying Agent in a Demand for Payment.

Where applicable, defined terms such as those set forth above should be incorporated in the the Document. Other revisions to definitions in the Document may be necessary to reflect the provisions of the Commitment.

ANNEX C
COMMITMENT



COMMITMENT FOR MUNICIPAL BOND GUARANTY INSURANCE

REVISED AS OF JUNE 4, 1986

MUNICIPAL BOND INSURANCE ASSOCIATION
34 South Broadway, Box 788, White Plains, N.Y. 10602

MUNICIPAL ISSUERS SERVICE CORP.
General Manager

Based on an approved application, dated May 8, 1986, for Municipal Bond Guaranty Insurance (the "Application"), the insurance companies comprising the Municipal Bond Insurance Association ("MBIA"), each of which participates and is liable hereunder severally and not jointly in the following respective percentages (The Aetna Casualty and Surety Company — 33%, Fireman's Fund Insurance Company — 30%, The Travelers Indemnity Company — 15%, Aetna Insurance Company — 12%, The Continental Insurance Company — 10%), at the time

\$85,365,000 Board of Regents of The University of Texas System, General Tuition Revenue Refunding Bonds, Series 1986

(the "Bonds") are awarded and sold to Morgan Guaranty Trust Company of New York

agree to issue a surety bond guaranteeing the payment to the issuer of up to \$7,278,592.97 on the bonds, subject to the following conditions:

1. At the time of delivery of and payment for the Bonds an insurance premium for the MBIA policy in the amount of \$ 291,000* will be paid by

Board of Regents of The University of Texas System

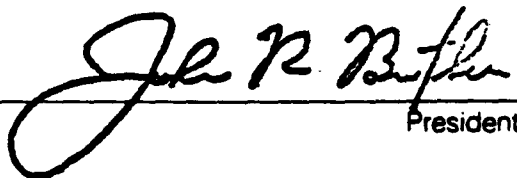
2. The Bonds will receive the unqualified approving opinion of Bond Counsel.
3. There will have been no material adverse change in the Bonds or the Resolution, Bond Ordinance, Trust Indenture or other official document authorizing the issuance of the Bonds or in the final official statement or other similar document, including the financial statements included therein.
4. There will have been no material adverse change in any other information submitted to MBIA as a part of the Application or subsequently submitted to be a part of the Application to MBIA.
5. No event shall have occurred which would allow any underwriter or any other purchaser of the Bonds not to be required to purchase the Bonds at the closing.
6. Prior to delivery of and payment for the Bonds, none of the information or documents submitted as a part of the Application to MBIA shall be determined to contain any untrue or misleading statement of a material fact or fail to state a material fact required to be stated therein or necessary in order to make the statements contained therein not misleading.
7. No material adverse change affecting any security for the Bonds prior to the time of delivery of any payment for the Bonds shall have occurred.
8. Notwithstanding anything to the contrary contained herein, this commitment will expire on the earlier of (i) 90 days from the date hereof or (ii) on the date of delivery of and payment for the Bonds and issuance of the policy hereunder, unless this commitment shall have been extended in writing by MBIA.

9. Special conditions. ****See Attached****


MUNICIPAL BOND INSURANCE ASSOCIATION

By MUNICIPAL ISSUERS SERVICE CORPORATION

The Aetna Casualty and Surety Company
Fireman's Fund Insurance Company
The Travelers Indemnity Company
Aetna Insurance Company
The Continental Insurance Company


President

*.04 of Surety Bond Limit (\$7,278,592.97) = \$291,000 (Final Premium rounded to the nearest \$1,000).

Attest: 
Ass't. Secretary

RE: \$7,278,592.97 Debt Service Reserve Fund for the \$85,365,000 Board of Regents of The University of Texas System, General Tuition Revenue Refunding Bonds, Series 1986

9. SPECIAL CONDITIONS:

MBIA's commitment to insure the aforementioned issue is further additionally conditioned upon:

1. In addition to meeting all conditions outlined in the "Term Sheet for Debt Service Reserve Fund Program", it must be reflected in the documents that in the event of the issuance of additional bonds and the provision of a qualified surety bond issued by an insurance company other than MBIA to meet the debt service reserve fund requirement, the following must occur in the event of default. After any cash in the debt service reserve fund has been depleted, all further draws must be made on a pro rata basis from all existing surety bonds.

2. In the Resolution the term "Investment Securities" (ii) should be changed to read:

(ii) bonds, participation certificates or other obligations of any agency or instrumentality of the United States of America, including obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, Federal Home Loan Bank, and Federal Home Loan Mortgage Corporation;

3. U. T. Board of Regents: Resolution Authorizing the Issuance of Replacement Bond in the Amount of \$5,000 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974.--

RECOMMENDATION

The Office of the Chancellor recommends the adoption of the Resolution set forth on Pages B of R 4 - 7 authorizing the issuance of replacement bond Number R-234 in the amount of \$5,000 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974, to Paine Webber Incorporated, New York, New York. The Bonds were originally issued by Resolution of the U. T. Board of Regents on November 1, 1974.

BACKGROUND INFORMATION

Paine Webber Incorporated ("Owner") is unable to locate Bond Number 234 in the denomination of \$5,000, bearing interest at the rate of 7.60% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 23 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1994. Owner has submitted an affidavit of loss stating that it cannot locate the bond and that it has not sold, transferred or disposed of the bond in any manner. Owner has requested that the U. T. Board of Regents authorize issuance of replacement bond in accordance with provisions of Article 715a of the Revised Civil Statutes of Texas. Owner has submitted a sole obligor indemnity bond with the Federal Insurance Company, New York, New York, as surety, indemnifying the U. T. Board of Regents, its registrar, depositories, and paying agency banks from and against any and all liability in the event that the original bond or coupons are subsequently presented for payment. All expenses of printing the replacement bond and any other charges are the sole responsibility of Owner. Bond counsel for the original bond issue was McCall, Parkhurst & Horton of Dallas, Texas. That firm has prepared the Resolution, instruments, and draft instruments for the actions here proposed and has approved the affidavit of loss and the indemnity bond.

REPLACEMENT BOND RESOLUTION OF THE BOARD OF REGENTS
OF THE UNIVERSITY OF TEXAS SYSTEM
THE UNIVERSITY OF TEXAS AT EL PASO
COMBINED FEE REVENUE BONDS,
SERIES 1974, BOND NUMBER 234

A resolution passed by the Board of Regents of The University of Texas System authorizing the issuance of one \$5,000.00 replacement bond to replace Bond Number 234 of Board of Regents of The University of Texas System, The University of Texas at El Paso Combined Fee Revenue Bonds, Series 1974 and resolving other matters relating to the subject.

WHEREAS, the Board of Regents of The University of Texas System by resolution passed on November 1, 1974 authorized the issuance of and sold its Board of Regents of The University of Texas System, The University of Texas at El Paso, Combined Fee Revenue Bonds, Series 1974, in the aggregate principal amount of \$1,500,000.00, dated November 1, 1974; and

WHEREAS, one bond of the above described Series of bonds, to-wit:

Bond Number 234 in the denomination of \$5,000.00, and bearing interest at the rate of 7.60% per annum, payable semiannually on each May 1 and November 1 (Interest Coupon No. 23 and subsequent coupons appertaining thereto unpaid), and maturing May 1, 1994 (the "Bonds")

are outstanding and unpaid; and

WHEREAS, an affidavit in due form verified by John J. Meyer, Assistant Vice President of PaineWebber, Incorporated, (the "Owner"), to the effect that on or about October 14, 1985 the Owner received the bond at its premises and on or about October 18, 1985, after a thorough search of the Owner's premises the bond could not be located and that the Owner has not sold, transferred or otherwise disposed of the bond in any manner, has been received and is on file in the offices of the Board of Regents, and such affidavit has been accepted by the Board of Regents of The University of Texas System as sufficient evidence that the Bond has been lost, within the meaning of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such affidavit is attached hereto as a permanent part hereof; and

WHEREAS, at the time the loss occurred, Coupon Number 23, coming due on May 1, 1986, and subsequent coupons were attached to said Bond, and therefore neither said coupon nor any subsequent coupons have been presented for payment; and

WHEREAS, the Owner of said Bond and appurtenant coupons desires that a replacement bond be issued to replace the aforesaid lost Bond and appurtenant coupons; and

WHEREAS, by Acts 1965 of the 59th Legislature of the State of Texas, Chapter 334, commonly known as Article 715a of the Revised Civil Statutes of Texas, the Board of Regents of The University of Texas System is authorized to issue without an election bonds to replace any bonds theretofore lawfully issued which are outstanding and which have been destroyed, lost or stolen, provided that such replacement bonds may be issued only upon indemnification satisfactory to the Board establishing proof of ownership and the circumstances of the loss, theft or destruction of the bonds for which replacement bonds are being sought; and

WHEREAS, a Bond of Indemnity Number 9W98900-3-86-11 dated March 14, 1986, and executed by an authorized representative of the Federal Insurance Company, as obligor, has been received and is on file in the office of the Board of Regents and such Bond of Indemnity is acceptable to the Board of Regents of The University of Texas System as sufficient indemnity under the provisions of Article 715a of the Revised Civil Statutes of Texas, and a certified copy of such Bond of Indemnity Number 9W98900-3-86-11 is attached hereto as a permanent part hereof.

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

Section 1. That there are hereby authorized to be issued one replacement bond to replace the Bond. Said replacement bond and the interest coupons appertaining thereto shall be in the same form and in all respects of like tenor and effect as the Bond, and the interest coupons

appertaining thereto, except that such replacement bond and the interest coupons appertaining thereto shall be signed manually, or in facsimile, as provided by law, by the proper officials holding office at the time of their issuance, and that no interest coupon shall mature prior to May 1, 1986.

Section 2. That said replacement bond shall be dated November 1, 1974, which is the date of the Bond.

Section 3. That said replacement bond and all interest coupons appertaining thereto shall have the letter "R" preceding the Bond Number and following the Interest Coupon Number.

Section 4. That after said replacement bond has been executed, it shall be the duty of the Chairman of the Board of Regents or some officer, employee or attorney of the Board acting through authority from him, to deliver the replacement bond to the Attorney General of Texas for examination and approval. After approval by the Attorney General of Texas, the replacement bond shall be delivered to the Comptroller of Public Accounts of the State of Texas for registration. The replacement bond thus registered shall remain in custody of the Chairman of the Board, or subject to his order, until the delivery thereof to the owner of the original Bond being replaced thereby.

Section 5. That the Comptroller of Public Accounts of the State of Texas is hereby authorized and directed to register the replacement bond in the same manner as the original Bond was registered, giving them the same registration number as the original Bond except that such number shall be preceded by the Letter "R". The Comptroller shall date his registration certificate as of the date of registration of the replacement bond.

Section 6. That all provisions of the resolution passed by the Members of the Board of Regents of The University of Texas on November 1, 1974 authorizing the series of bonds of which the Bond was a part and which are

not in conflict with this resolution are hereby adopted by reference and shall be a part of this resolution.

Section 7. That the preparation and passage of this resolution by the Board of Regents of The University of Texas System and the performance of each and every, all and singular, the acts ordered hereby and all acts or expenditures incidental thereto shall be at no cost to the Board of Regents of The University of Texas System and shall be borne entirely by and be the sole liability of the Owner of the lost Bond which has requested the issuance of replacement securities as provided herein.

4. U. T. System: Recommendation to Approve a Multi-Year U. T. System Library Enhancement Plan and to Appropriate Permanent University Fund (PUF) Bond Proceeds for the First Year of That Plan.--

RECOMMENDATION

The Office of the Chancellor recommends that the U. T. Board of Regents approve a multi-year U. T. System Library Enhancement Plan to be funded from Permanent University Fund (PUF) Bond Proceeds. The proposed plan is to consist of the following four elements:

- I. Catch-up, provides for a general collection enhancement for those component institutions where the size of the total collection is below generally accepted standards.
- II. Specific Fields, provides for strengthening the collections where deficiencies exist in specific discipline areas, to support new programs and emerging research areas or other developing specialities.
- III. Special Collections, would set aside a limited reserve fund to facilitate the acquisition of unique special collections appropriate to the needs of components when such collections become available.
- IV. Automation, would fund the purchase of computers, software, telecommunications equipment, and automation tools. This advanced technology would be used to interconnect the libraries of various institutions and eventually enhance holdings on a more cost-effective basis.

The Office of the Chancellor further recommends that appropriations from Permanent University Fund Bond Proceeds for fiscal year 1986-87 as set out on the following page be made to implement the first year of this Library Enhancement Plan and that the component institutions be authorized to purchase approved library automation equipment following standard equipment purchase procedures. Transfer by U. T. System Administration of allocated equipment funds to institutional control or to vendors will coincide with vendor payment requirements. Transfer of funds allocated for the purchase of library materials will follow established institutional reimbursement procedures.

U. T. SYSTEM

RECOMMENDED LIBRARY ENHANCEMENT APPROPRIATION, 1986-87

<u>Institution</u>	<u>Catch-up</u>	<u>Fields</u>	<u>Automation</u>	<u>Total</u>
UT Arlington	\$500,000		\$958,000	\$1,458,000
UT Austin		\$129,000	4,351,000	4,480,000
UT Dallas	1,000,000		538,000	1,538,000
UT El Paso		119,000	25,500	144,500
UT Permian Basin		276,000		276,000
UT San Antonio		365,000		365,000
UT Tyler		139,000		139,000
Sub-total Academic	1,500,000	1,028,000	5,872,500	8,400,500
UTHSC Dallas		352,500	326,000	678,500
UTMB Galveston		490,500		490,500
UTHSC Houston		72,000	163,500	235,500
UTHSC San Antonio		200,000		200,000
UT Cancer Center			170,000	170,000
UTHC Tyler	74,500			74,500
Sub-total Health	74,500	1,115,000	659,500	1,849,000
Recommended Allocation	1,574,500	2,143,000	6,532,000	10,249,500
Automation Reserve (Unallocated) (1)				1,000,000
Special Collection Reserve (Unallocated) (2)				1,000,000
TOTAL (Allocated and Reserves)				\$12,249,500

(1) A recommendation to appropriate funds for library automation will be made to those components not receiving automation funds from this appropriation from the reserve for this purpose after their automation plans are refined.

(2) Recommendations to appropriate funds for the purchase of special collections will be made from the reserve for that purpose as opportunities to acquire valued collections arise.

BACKGROUND INFORMATION

In December 1985, the Office of the Chancellor described a general strategy for enhancing the libraries of the component institutions using Permanent University Fund (PUF) Bond Proceeds. Since that time, the component institutions have refined their estimated needs within the framework of the four-part strategy outlined in the Recommendation. The amounts recommended for each institution are based upon requests made by the institutions for library materials under Parts I and II of the Program and for library automation under Part IV.

Part I of that strategy provides funds for eliminating the deficiencies in the size of the general collection at those component institutions where it is substantially below standards. The Texas version of the Clapp-Jordan Formula was used to establish those standards for the general academic institutions, and a more targeted collection review was used to establish needs at the U. T. Health Center - Tyler.

Both U. T. Arlington and U. T. Dallas, the institutions originally identified as having large deficiencies, have now established more precise measures of their deficiencies and developed plans for eliminating the deficiencies over a period of several years. The rate at which the deficiency can be eliminated is determined by the amount of professional manpower which can be assigned to the tasks of selecting, acquiring, and cataloging the new material. At the present state of automation and level of operational funding, U. T. Arlington believes they can increase acquisitions by about 22,000 volumes per year, while U. T. Dallas by using Excellence in Education Foundation Funds to employ additional professional staff will acquire materials more rapidly (about 33,000 volumes per year). U. T. Arlington now estimates that it will take some 15 years to completely eliminate its deficiencies (480,000 volumes), while U. T. Dallas hopes to eliminate its 200,000 volume deficiency in about six years.

Part II provides for strengthening of collections in specific discipline areas. In most of the libraries of the component institutions, there is a generally adequate collection but specific needs exist to support new programs, emerging research areas, or other specific disciplines of special importance to the institution. At all component institutions except U. T. Arlington, U. T. Dallas, and the U. T. Health Center - Tyler, the amounts for library materials were recommended under the guidelines for Part II of the library enhancement program. Additional information about special needs for each library is identified in descriptive explanations provided for each institution.

Part III provides a reserve to facilitate the acquisition of unique special collections appropriate to the needs of component institutions other than U. T. Austin. These funds will only be appropriated when a specific acquisition opportunity is identified. No appropriation under this section of the plan is recommended at this time.

Part IV will fund library automation. On April 17, 1986, the heads of the component institutions, their chief librarians, and other representatives met to develop guidelines for the implementation of this part of the plan. Basic strategies for interconnecting the libraries of the component institutions to facilitate the shared use of library materials and, eventually, to enhance holdings on a more cost-effective basis

were established. A major conclusion from that meeting was that effective networking and library resource sharing could be achieved while moving ahead rapidly with the implementation of automated systems at each of the component institutions. A five-year plan for automation of all the component institution libraries is now being developed, but plans are already sufficiently developed to recommend the allocation of some automation resources at this time. For example, three component institutions, U. T. Arlington, U. T. Austin, and U. T. Dallas, have well developed plans for the installation of new library automation systems. Plans for new systems or links to the systems at other component institutions are being refined for U. T. Permian Basin, U. T. Tyler, and the U. T. Health Center - Tyler. Plans to replace an obsolete system at U. T. San Antonio and to improve already automated health component libraries are also being refined. Recommendations to fund these systems will be made at a later date from the reserve for this purpose or in future years of the enhancement plan.

The automated library system at each of the component institutions can be interconnected through the same computer communications network which also permits faculty and students at each component institution to access the CRAY research computer at the U. T. System Center for High Performance Computing. By interconnecting the automated library systems, faculty and staff at one component institution will be able to utilize, interactively, the library catalogs of another component institution. The effect of that interconnection will be to make most of the library materials within the U. T. System available to any scholar within the U. T. System. With such an approach, fewer duplicate volumes will need to be acquired to provide effective patron access.

U. T. INSTITUTION LIBRARY ENHANCEMENT REQUESTS

U. T. Arlington

The library materials supplement for U. T. Arlington will be used for general collection development (Part I). Based on the Texas version of the Clapp-Jordan Formula, U. T. Arlington estimates a deficiency of more than 480,000 volumes. Approximately 22,000 volumes will be acquired in Fiscal Year 1986-87 from Permanent University Fund Bond Proceeds. After completing the proposed automation project, the University will be able to acquire approximately 32,000 volumes per year from Permanent University Fund Bond Proceeds. A new, integrated library system which will probably be based upon IBM or IBM-compatible hardware and NOTIS library software will be acquired at an estimated one-time cost of \$958,000. Included within this automation project will be a connection to the computer communications network and the acquisition of a facsimile transmitter/receiver.

U. T. Austin

Library materials enhancement under Part II will be used to strengthen the collections in computer science, electrical engineering, mathematics/statistics, art, economics/finance, and chemical/mechanical engineering. State-of-the-art work done in most of these fields is published in such expensive forms as conference proceedings, foreign journals and trade monographs. The University is making major commitments in these fields. Library automation for U. T. Austin, the fifth largest university research library in the United States, will be a significantly more expensive undertaking than for any

other component institution library. The implementation of an automated card catalog system for U. T. Austin is projected to cost \$6.85 million, of which \$4.35 million will be spent in Fiscal Year 1986-87. This automated card catalog will be accessible not only to users at U. T. Austin, but to users elsewhere in the U. T. System through the computer network. No special equipment or programs will be required at the other components to achieve this access.

U. T. Dallas

Library materials acquired from Permanent University Fund Bond Proceeds by U. T. Dallas will be used to implement Part I of the improvement program. U. T. Dallas will use funds from the Excellence in Education Foundation to employ additional professional staff. The staff will select, acquire, and catalog the materials acquired with Permanent University Fund Bond Proceeds. Automation funds will be used to enhance the administrative computer and to acquire the necessary software system, probably the NOTIS software systems, needed to implement a fully integrated library system. This system will be connected to the network. U. T. Dallas already has a facsimile transmitter and receiver, which it uses extensively to send and receive materials from the U. T. Austin General Library.

U. T. El Paso

The library materials acquisition from Permanent University Fund Bond Proceeds is targeted for education, business, applied psychology, and engineering systems. These four areas have been targeted in U. T. El Paso's Strategic Plan for general enhancement and, in the case of psychology and engineering, the University is developing future proposals for doctoral programs. The University is currently implementing a new library automation system which was acquired as a part of the new library building project. They will supplement that system with new terminals to connect to the Online Computer Library Center and with a facsimile transmitter/receiver.

U. T. Permian Basin

Materials for enhancing the collection which supports graduate work in psychology and material which will support the new Center for Energy and Economic Diversification are proposed. Computer science, business, and the graduate program in teacher education will also be strengthened through collection enhancement. The institution is currently evaluating several automation options including the remote use of the new systems being installed at U. T. El Paso.

U. T. San Antonio

Library materials to strengthen programs in engineering, biotechnology/molecular neurobiology, education, architecture, physical sciences, music, and public administration are planned. In addition, the University plans to replace its obsolete library automation systems. The U. T. San Antonio library has been automated since the institution was founded, but the locally developed software can no longer be maintained economically. Recommendations for a replacement system will be made soon.

U. T. Tyler

The library materials supplement will be targeted to business, history, English, computer science, technology, psychology, and nursing at U. T. Tyler. Automation options are being evaluated.

U. T. Health Science Center - Dallas

The library materials appropriation will be used to enhance the collection in the areas of Molecular biology, genetics, metabolic regulations, pharmacology, biochemistry, and the clinical science areas of oncology, immunology, neurosciences, and the imaging sciences. The automation appropriation is to be used to extend the existing automated system to additional locations, including the new Howard Hughes Medical Research Institute, Clinical Sciences Building, and the Ambulatory Care Center. Other enhancements to the existing system will provide for inclusion of journals in the on-line public access catalog and provide acquisitions software for use by the library staff.

U. T. Medical Branch - Galveston

The U. T. Medical Branch at Galveston has targeted seven areas for library enhancement. They are: geriatrics, nutrition, rehabilitation, neurosciences, analytical chemistry, community and preventive health, and pharmacology. These fields are all in a growth phase at the institution. U. T. Medical Branch - Galveston has a fully automated library system. At this time, the only addition contemplated is the acquisition of facsimile transmitters/receivers and a connection to the U. T. System network.

U. T. Health Science Center - Houston

The U. T. Health Science Center - Houston relies primarily upon the shared library resources at the Texas Medical Center's Houston Academy of Medicine Library. It proposes modest enhancements in the separate school libraries and some additional equipment to improve remote access from the schools to the Houston Academy of Medicine Library.

U. T. Health Science Center - San Antonio

The library materials enhancement budget is targeted for the research areas of immunology and microbiology, the neurosciences, particularly, and the clinical sciences, in general. In addition, selected needs have been identified in the supporting Physical and Social Sciences. The Health Science Center has a fully automated library system which has been in place for a number of years. Major upgrades and replacements are expected to be needed within a few years.

U. T. Cancer Center

Meeting the library material needs of its rather sharply focused mission has been possible through existing funds. Consequently, no Permanent University Fund Bond Proceeds for library materials are requested. A modest amount of equipment funding is recommended in order to improve access to the collection maintained in the Houston Academy of Medicine Library.

U. T. Health Center - Tyler

Library materials for U. T. Health Center - Tyler will be used to strengthen the research collection directly related to the cardiopulmonary research mission of the institution. No formulas exist for establishing the size of collection which this special-purpose institution should have. However, by a careful and detailed review of available materials, the institution has established a detailed acquisition list. Funds are also requested to acquire all of the monographs and back issues of journals and other periodicals on this list. Plans for library automation are now being refined for this institution.

5. U. T. System: Request for Permission for Individual to Serve as Chairman of the Texas Commission on Economy and Efficiency in State Government Task Force on the Implementation of HJR 72 [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

RECOMMENDATION

The Office of the Chancellor recommends that approval be given to the appointment of Mr. Thomas M. Keel, Executive Director for Finance and Administration of The University of Texas System, to serve as Chairman of the Texas Commission on Economy and Efficiency in State Government Task Force on the Implementation of HJR 72.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Mr. Keel is of benefit to the State of Texas, and (2) there is no conflict between the position this individual holds in U. T. System and his appointment to this task force.

BACKGROUND INFORMATION

The 15-member Texas Commission on Economy and Efficiency in State Government was established by House Bill 460, Acts of the 69th Legislature, Regular Session, 1985 (Article 5183, Vernon's Texas Civil Statutes). It is charged with analyzing the organization, operation, and productivity of each state agency and determining the feasibility of various management techniques.

The Commission has asked representatives from the offices of the State Auditor, Comptroller, Governor, Lieutenant Governor, Speaker and Legislative Budget Board to serve on a task force to consider the development of legislation to implement HJR 72 (now Article XVI, Section 69, Texas Constitution) which was approved by the electorate in November 1985. HJR 72 authorized the Legislature to require by rider or separate statute the prior approval of the expenditure or emergency transfer of any funds appropriated to agencies of State Government. Mr. Keel has been asked to serve as chairman of the Task Force and will serve without remuneration.

This recommendation is in accordance with approval requirements for positions of honor, trust, or profit in Article 6252-9a of Vernon's Texas Civil Statutes and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

6. U. T. El Paso: Proposed Amendment to Lease Dated June 26, 1961, Between the U. T. Board of Regents and El Paso County, Texas.--

SPECIAL ITEM

SUPPLEMENTAL MATERIAL

June 5 - 6, 1986

6. U. T. El Paso: Proposed Amendment to Lease Dated June 26, 1961, Between the U. T. Board of Regents and El Paso County, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Monroe that the Sun Bowl Lease dated June 26, 1961, between the U. T. Board of Regents, as Lessee, and the County of El Paso, as Lessor, be amended as set out in the Lease Addendum No. 2 on Pages B of R 14c - 14f, to permit the presentation of three sporting events per year, such as professional football or soccer exhibition games, by non-university athletic teams or groups, provided that such presentations have the prior approval of U. T. El Paso and the County of El Paso, Texas.

BACKGROUND INFORMATION

The Rules and Regulations of the U. T. Board of Regents prohibit the use of the facilities of the U. T. System and its component institutions by non-university individuals, groups, corporations or associations either as lessee or with joint sponsorship of a component institution, where such use will result in profit or gain to the non-university individuals, groups, corporations or associations. These Rules and Regulations were adopted by the U. T. Board of Regents in order to assure that the facilities of the U. T. System and its component institutions do not become subject to use as public facilities that would be open to use by promoters of events as in the case of municipal auditoriums or stadiums. The Rules and Regulations have been effective in achieving that goal. Certain civic groups in the El Paso community have requested that the Regents' Rules and Regulations be waived or amended with respect to performances of events in the U. T. El Paso Special Events Center and the Sun Bowl. These groups advocate that the facilities be rented to outside groups through the payment of a rental fee only and that event promoters be allowed to retain profits over and above the rental fee and other promotional costs.

The Sun Bowl is a facility that is unique in the U. T. System. The facility is not owned by the U. T. Board of Regents but is occupied and used by U. T. El Paso pursuant to a Lease Agreement with El Paso County that was executed by the U. T. Board of Regents in 1961 and became effective in 1963. El Paso County constructed the Sun Bowl for an initial cost of approximately \$2,000,000. Pursuant to an Addendum to the Lease Agreement in 1981 the U. T. Board of Regents constructed an expansion to the Sun Bowl at a cost of approximately \$6,600,000 in exchange for the deed from El Paso County of 50.789 acres of land surrounding the Sun Bowl.

Because the Sun Bowl is a joint venture of the U. T. Board of Regents and El Paso County, the recommended amendment to the Lease Agreement to allow the presentation of a limited number of sporting events not connected with the U. T. El Paso athletic program is appropriate under the circumstances and demonstrates continued cooperation between El Paso County and the U. T. Board of Regents for the benefit of the community.

Since the situation with respect to the Sun Bowl is unique within the U. T. System, the proposed amendment to the Lease Agreement relating to this facility will not affect the efficacy of the Rules and Regulations of the U. T. Board of Regents with respect to the use of the Special Events Center or any other facility at U. T. El Paso or elsewhere within the U. T. System and the Office of the Chancellor does not recommend any change in those use policies.

LEASE ADDENDUM NO. 2

STATE OF TEXAS §

 § KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF TRAVIS §

WHEREAS, by Lease Agreement dated June 26, 1961, the County of El Paso, Texas, as Lessor, leased to the Board of Regents of The University of Texas (now the Board of Regents of The University of Texas System) for the benefit of Texas Western College (now known as The University of Texas at El Paso), as Lessee, approximately 62.88 acres of land as therein described by metes and bounds upon which has been constructed improvements known as the Sun Bowl, with appurtenances; and

WHEREAS, said Lease Agreement had an initial term of 99 years from its effective date, with a provision for renewal for an additional 99-year period; and

WHEREAS, pursuant to the provisions of said Lease, the County of El Paso expended the approximate sum of \$2,000,000.00 in the construction of the Sun Bowl stadium, parking areas, access roads and related facilities, and upon completion thereof, the Lease became effective on August 21, 1963, as evidenced by a Memorandum Agreement between the Board of Regents and the County dated August 20, 1963; and

WHEREAS, Lessor and Lessee desired to expand the seating capacity and in furtherance of such expansion, the Lessor, County of El Paso, submitted a proposal for a bond issue in the amount of \$3,900,000.00 to the voters of the County to provide the necessary funding; and

WHEREAS, the voters of the County did not approve the issuance of such bonds; and

WHEREAS, because of the failure of such bond issue, the Lessor and Lessee reached an agreement whereby Lessor, the County of El Paso, would grant to the Lessee, the Board of Regents, 50.789 acres of land, such land being a part of the 62.88 acres of land leased by the County to the Board of Regents on June 26, 1961, and the Lessee, the Board of Regents, would undertake and finance the desired expansion to the Sun Bowl; and

WHEREAS, pursuant to such aforementioned agreement, the County, by Deed, dated May 4, 1981, granted the said 50.789 acres of land to the Board of Regents, retaining 12.091 acres of land of the 62.88 acres of land originally leased to the Board in 1961, the Sun Bowl being located upon such retained tract; and

WHEREAS, pursuant to such aforementioned agreement and in consideration of the grant of the aforementioned 50.789 acres of land, the Board of Regents, as Lessee, and the County of El Paso, as Lessor, executed an Addendum to the original lease on May 4, 1981, wherein the Board of Regents agreed to undertake and finance the agreed expansion to the Sun Bowl, and the parties to such Addendum further agreed that the terms of the original lease should remain in full force and effect as to that portion of leased premises retained by the County, as Lessor, the aforesaid 12.091 acres of land including the Sun Bowl and additional facilities to be constructed by the Lessee; and

WHEREAS, pursuant to such Addendum to Lease, the Lessee, the Board of Regents did complete the expansion of the Sun Bowl as agreed upon at an approximate cost of \$6,600,000.00; and

WHEREAS, both Lessor and Lessee desire to expand the permissible usage of the Sun Bowl premises under the Lease Agreement to permit certain sports presentations not originally contemplated by the Lease;

NOW THEREFORE, the County of El Paso and the Board of Regents agree that the Lease be amended by adding a new paragraph to such Lease, denominated as Paragraph "VIII-A", following Paragraph VIII, such Paragraph to read as follows:

VIII-A

It is specifically provided, however, that for a trial period of five years, the County of El Paso and the administration of The University of Texas at El Paso may agree on the presentation of up to three sporting events per year of the type (such as professional football exhibition games or soccer exhibitions or competitions) appropriate to a facility designed for the playing of American football. In the selection of such events, the County and the administration of The University of Texas at El Paso shall give highest consideration to those events of the type referred to above, which will maximize income to The University of Texas at El Paso and will provide the greatest entertainment benefits to the citizens of El Paso.

This Amendment is effective upon the signing of such Amendment by the parties hereto.

LESSOR:

COUNTY OF EL PASO, TEXAS

ATTEST:

County Clerk

By: _____
County Judge

Date: _____

CONTENT APPROVED:

By: _____

The University of Texas System

FORM APPROVED:

Office of General Counsel
The University of Texas System

LESSEE:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Title: _____

Date: _____

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing lease was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary Board of Regents
The University of Texas System

F. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Material Supporting the Agenda. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Hay
Vice-Chairman Baldwin, Vice-Chairman Ratliff
MSA Page Ex.C - 1

Finance and Audit Committee: Chairman Yzaguirre
Vice-Chairman Roden, Regent Rhodes
MSA Page F&A - 1

Academic Affairs Committee: Chairman Baldwin
Vice-Chairman Milburn, Regent Briscoe
MSA Page AAC - 1

Health Affairs Committee: Chairman Briscoe
Vice-Chairman Yzaguirre, Regent Blanton
MSA Page HAC - 1

Buildings and Grounds Committee: Chairman Rhodes
Vice-Chairman Ratliff, Regent Hay
MSA Page B&G - 1

Land and Investment Committee: Chairman Milburn
Vice-Chairman Blanton, Regent Baldwin, Regent Roden
MSA Page L&I - 1

G. RECONVENE

H. ITEM FOR THE RECORD

U. T. Dallas: Acceptance of Membership to Advisory Council for the Callier Center for Communication Disorders.--

At the April 1986 U. T. Board of Regents' meeting, Mr. W. H. Bowen, Jr., Mrs. George V. Charlton, Mr. Jay M. Goltz, Miss Nelle C. Johnston, Mr. John M. Stemmons, Jr., and Mr. C. J. Thomsen, all of Dallas, Texas, were approved for membership on The University of Texas at Dallas Advisory Council for the Callier Center for Communication Disorders for terms to expire August 31, 1988. Their acceptances for membership are herewith reported for the record.

I. REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

J. REPORT OF SPECIAL COMMITTEES

K. OTHER MATTERS

In response to a request from the Black Student Alliance, members of that student organization have been allocated thirty (30) minutes for a presentation regarding minority faculty and student recruitment and retention.

L. SCHEDULED MEETINGS AND EVENTS

Board of Regents' Meetings

<u>Dates</u>	<u>Locations/Hosts</u>
August 14-15, 1986	Austin
October 9-10, 1986	U. T. Health Science Center - Dallas
December 4-5, 1986	U. T. Health Science Center - San Antonio

Other Events

June 13, 1986	U. T. Health Science Center - Houston: Dedication and Naming of the School of Public Health Building
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Holidays

July 4, 1986	Independence Day
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M. RECESS TO EXECUTIVE SESSION

The Board will convene in Executive Session pursuant to Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(e), (f) and (g), to consider those matters set out in the Material Supporting the Agenda.

If time permits, the Board will recess on Thursday afternoon to convene in Executive Session and continue that Executive Session beginning at 9:00 a.m. on Friday until the completion of business --- See Page B of R - 17, Item P.

If time will not permit the beginning of the Executive Session on Thursday, the Board will recess to begin its Executive Session at 9:00 a.m. on Friday and continue until the completion of business.

AGENDA FOR MEETING
OF
BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Date: June 6, 1986

Time: 9:00 a.m.

Place: Regents' Meeting Room, Ninth Floor, Ashbel Smith Hall

A.-M. (Pages B of R 1 - 16)

N. CONVENE OR RECONVENE IN EXECUTIVE SESSION

O. RECONVENE IN OPEN SESSION

P. CONSIDERATION OF ACTION ON ANY ITEMS DISCUSSED IN THE EXECUTIVE SESSION OF THE BOARD OF REGENTS PURSUANT TO V.T.C.S., ARTICLE 6252-17, SECTIONS 2(e), (f) and (g)

1. Pending and/or Contemplated Litigation - Section 2(e)

U. T. Cancer Center: Proposed Settlement
of Medical Malpractice Litigation

2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)

a. U. T. System: Recommendation for Amendment of Lease Agreement Between the Board of Regents and The University of Texas Foundation, Inc., Covering Certain Land in Austin, Travis County, Texas

b. U. T. System: Proposed Amendment to Lease Agreement for Operation of Commercial Vineyards and Winery on Permanent University Fund Lands in West Texas

3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees

U. T. System: Consideration of Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Government Contracts, Designated Funds, Restricted Current Funds and Medical Services, Research and Development Programs

Q. OTHER BUSINESS

R. ADJOURNMENT

1986

January

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
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26	27	28	29	30	31	

February

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March

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30	31					

April

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May

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**Executive
Committee**

EXECUTIVE COMMITTEE
COMMITTEE CHAIRMAN HAY

Date: June 5, 1986
Time: Following the 1:30 p.m. Session of the Board of Regents
Place: Lobby, Commons Building, Balcones Research Center

- | | <u>Page</u>
<u>Ex.C</u> |
|--|----------------------------|
| 1. U. T. Austin - Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development (Project No. 102-496): Recommended Award of Construction Contract to J. A. Jones Construction Company, Dallas, Texas (Exec. Com. Letter 86-17) | 2 |
| 2. U. T. Austin - Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Recommended Award of Contracts for Furniture and Furnishings to Architectural Interior Services, A Division of Finger Office Furniture, Houston, Texas; Rockford Business Interiors, Austin, Texas; (i.e.) Interior Environments, Inc., Austin, Texas; HiTech Companies, Plano, Texas; CYBEX, Division of Lumex, Inc., Ronkonkoma, New York; Southwest Office Interiors, Austin, Texas; and Dismukes Blind & Drapery, Austin, Texas; and Request for Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-16) | 4 |
| 3. U. T. Medical Branch - Galveston - Remodeling of John Sealy Hospital (Old Building) - Remodeling of Dietary Facilities, Stage III Cafeteria (Project No. 601-612): Recommended Award of Construction Contract to W. J. Hessert Construction Company, Inc., Houston, Texas (Exec. Com. Letter 86-16) | 7 |

1. U. T. Austin - Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development (Project No. 102-496): Recommended Award of Construction Contract to J. A. Jones Construction Company, Dallas, Texas (Exec. Com. Letter 86-17).--

RECOMMENDATION

The Executive Committee concurs in the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for Facilities Improvements for School of Architecture - Remodeling and Expansion of Goldsmith Hall and Site Development at U. T. Austin to the lowest responsible bidder, J. A. Jones Construction Company, Dallas, Texas, for the Base Bid and Additive Alternates One through Seven in the amount of \$8,745,000.

Regent Milburn abstained from voting due to a possible conflict of interest.

BACKGROUND INFORMATION

In accordance with the authorization of the U. T. Board of Regents in October 1985, bids for the Remodeling and Expansion of Goldsmith Hall and Site Development at U. T. Austin were received and opened on April 15, 1986, as shown on Page Ex.C - 3. A contract award to J. A. Jones Construction Company, Dallas, Texas, in the amount of \$8,745,000 for the Base Bid and Additive Alternates One through Seven can be made within the authorized total project cost of \$11,000,000.

The total project cost for this project is composed of the following cost elements:

Construction Cost	\$ 8,745,000
Fees and Administrative Expenses	1,002,127
Furniture and Equipment	924,921
Future Work	103,500
Miscellaneous Expenses	24,452
Project Contingency	<u>200,000</u>
Total Project Cost	\$11,000,000

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

FACILITIES IMPROVEMENTS FOR THE SCHOOL OF ARCHITECTURE
REMODELING AND EXPANSION OF GOLDSMITH HALL AND SITE DEVELOPMENT
THE UNIVERSITY OF TEXAS AT AUSTIN
Bids Received April 15, 1986, in Room 208, Ashbel Smith Hall
Office of Facilities Planning and Construction
The University of Texas System

<u>CONTRACTOR</u>	<u>J. A. Jones Construction Company Dallas, TX</u>	<u>Warrior Builders, Inc. Houston, TX</u>	<u>MORTON-BELLOWS- A JOINT VENTURE Austin, TX</u>
BASE BID	\$8,275,000	\$8,330,000	\$8,925,000
Alt. No. 1 - Restoration of Existing Exterior Windows and Doors	165,000	150,000	67,000
Alt. No. 2 - Restoration of Existing Masonry and Roof Tile	165,000	290,000	156,000
Alt. No. 3 - Delete Concrete Topping and Add Oak Flooring in Class- room 3.120 and Review Room 2.110	26,000	38,000	29,500
Alt. No. 4 - Delete Concrete Topping and Add Oak Flooring in Certain Review Rooms and Studios	68,000	84,000	84,000
Alt. No. 5 - Fixed Seating in Classroom 3.120	19,000	17,000	18,100
Alt. No. 6 - Track Lighting Fixtures in Exhibition Room 2.105	7,000	6,000	6,600
Alt. No. 7 - Mobile Display Units in Exhibition Room 2.105	<u>20,000</u>	<u>18,000</u>	<u>17,800</u>
TOTAL - Base Bid Plus Add Alternates	\$8,745,000	\$8,933,000	\$9,304,000

2. U. T. Austin - Athletic Facilities South of Memorial Stadium - Football Facility (Project No. 102-494): Recommended Award of Contracts for Furniture and Furnishings to Architectural Interior Services, A Division of Finger Office Furniture, Houston, Texas; Rockford Business Interiors, Austin, Texas; (i.e.) Interior Environments, Inc., Austin, Texas; HiTech Companies, Plano, Texas; CYBEX, Division of Lumex, Inc., Ronkonkoma, New York; Southwest Office Interiors, Austin, Texas; and Dismukes Blind & Drapery, Austin, Texas; and Request for Authorization for the Chancellor to Sign the Contracts (Exec. Com. Letter 86-16).--

RECOMMENDATION

The Executive Committee concurs with the recommendation of President Cunningham and the Office of the Chancellor that the U. T. Board of Regents award contracts for furniture and furnishings for the Athletic Facilities South of Memorial Stadium - Football Facility at U. T. Austin to the following lowest responsible bidders:

Architectural Interior Services,
A Division of Finger Office
Furniture, Houston, Texas

Base Proposal "A" (Office Furniture)	\$17,922.74
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Base Proposal "C" (Interior Modular Seating)	10,078.06
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Base Proposal "D" (Exterior Modular Seating)	<u>38,362.06</u>
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Total Contract Award to Architectural Interior Services, A Division of Finger Office Furniture	\$66,362.86
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Rockford Business Interiors
Austin, Texas

Base Proposal "B" (Miscellaneous Items)	23,340.75
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(i.e.) Interior Environments, Inc.
Austin, Texas

Base Proposal "E" (Treatment Furniture)	9,378.39
--	----------

HiTech Companies
Plano, Texas

Base Proposal "AA" (Musculature Therapy Equipment)	\$20,746.25
---	-------------

Base Proposal "BB" (Arm/Leg Cryo/Temp & Diathermy Treatment Equipment)	<u>\$ 7,977.00</u>
Total Contract Award to HiTech Companies	\$28,723.25
CYBEX, Division of Lumex, Inc. Ronkonkoma, New York	
Base Proposal "EE" (Aerobic Exercise Therapy Equipment)	9,595.00
Southwest Office Interiors Austin, Texas	
Base Proposal "FF" (Stacking Chairs)	3,249.80
Dismukes Blind & Drapery Austin, Texas	
Base Proposal "GG" (Window Treatment)	<u>938.60</u>
GRAND TOTAL RECOMMENDED CONTRACT AWARDS	\$141,588.65

It is further recommended that the Chancellor be authorized to sign the contracts awarding these bids based on the results of the Executive Committee circularization.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents on October 12, 1984, bids were called for and were received, opened and tabulated on March 18 and 26, 1986, as shown on Pages Ex.C 6 - 7 for furniture and furnishings for the Athletic Facilities South of Memorial Stadium - Football Facility at U. T. Austin. Funds for the contract awards are available in the Furnishings and Equipment Account.

With regard to Base Proposal "B" (Miscellaneous Items), the low bid submitted by Dallas Drapery Shops was not responsive in that it included only one of the twenty-six separate types of items required by this bid. The lowest responsible bid submitted by Rockford Business Interiors in the amount of \$23,340.75 was less than the estimated cost of \$24,200. It is believed that rebidding would not improve these results.

With respect to Base Proposal "AA" (Musculature Therapy Equipment), the low bid submitted by BioModalities, Inc., was not a responsive bid in that the bid did not include four of the ten types of items required by the bid. The bid submitted by HiTech Companies of \$20,746.25 was less than the estimated cost of \$20,769. It is believed that rebidding would not improve these results.

In reference to Base Proposal "BB" (Arm/Leg Cryo/Temp & Diathermy Equipment), the low bid submitted by BioModalities, Inc., was not responsive in that the firm did not guarantee that its bid was accurate and free of mistakes and that the

bidder would not request withdrawal of the bid. The lowest responsible bid submitted by HiTech Companies of \$7,977 was less than the estimated cost of \$8,069. It is believed that rebidding would not improve these results.

With respect to Base Proposal "EE" (Aerobic Exercise Therapy Equipment), only one bid was received. This equipment is specialized therapy equipment which is obtainable from only two firms in this sales region. The firm which did not submit a bid was unwilling to commit funds to provide the required bid security. The lowest responsible bid from CYBEX of \$9,595 was less than the estimated cost of \$10,060. It is believed that rebidding would not improve these results.

With reference to Base Proposal "GG" (Window Treatment), the low bid submitted by Dills-Challstrom, Inc., of \$674.80 was not responsive in that it was not based on the specified materials or on an approved alternate item. The lowest responsible bid submitted by Dismukes Blind & Drapery of \$938.60 was based on the specified materials and was less than the estimated cost of \$983. It is believed that rebidding would not improve these results.

Base Proposal "A", Office Furniture

Architectural Interior Services, A Division of Finger Office Furniture	\$17,922.74
Southwest Office Interiors Clegg/Austin	18,007.00
Labry Commercial Interiors, Inc.	18,902.01
Wilson Business Products, Systems & Services, Inc.	21,109.72
	24,524.05

Base Proposal "B", Miscellaneous Items

Dallas Drapery Shops	\$ 1,550.00
Rockford Business Interiors	23,340.75

Base Proposal "C", Interior Modular Seating

Architectural Interior Services, A Division of Finger Office Furniture	\$10,078.06
Labry Commercial Interiors, Inc.	10,815.97
Southwest Office Interiors	11,044.00
Rockford Business Interiors	11,508.59

Base Proposal "D", Exterior Modular Seating

Architectural Interior Services, A Division of Finger Office Furniture	\$38,362.06
(i.e.) Interior Environments, Inc.	39,886.00
Rockford Business Interiors	40,581.94
Southwest Office Interiors	40,815.00

Base Proposal "E", Treatment Furniture

(i.e.) Interior Environments, Inc.	\$ 9,378.39
Southwest Office Interiors	9,454.00
Architectural Interior Services, A Division of Finger Office Furniture	9,460.40
Rockford Business Interiors	9,601.32

Base Proposal "AA", Musculature
Therapy Equipment

BioModalities, Inc.	\$16,475.00
HiTech Companies	20,746.25

Base Proposal "BB", Arm/Leg Cryo/Temp &
Diathermy Treatment Equipment

BioModalities, Inc.	\$ 7,600.00
HiTech Companies	7,977.00

Base Proposal "EE", Aerobic Exercise
Therapy Equipment

CYBEX, Division of Lumex, Inc.	\$ 9,595.00
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Base Proposal "FF", Stacking Chairs

Southwest Office Interiors	\$ 3,249.80
Disco Print Company	3,285.76
Architectural Interior Services, A Division of Finger Office Furniture	3,420.96

Base Proposal "GG", Window Treatments

Dills-Challstrom, Inc.	\$ 674.80
Dismukes Blind & Drapery	938.60
Sherrill Draperies, Inc.	995.75
Dallas Drapery Shops	1,152.00

3. U. T. Medical Branch - Galveston - Remodeling of John Sealy Hospital (Old Building) - Remodeling of Dietary Facilities, Stage III Cafeteria (Project No. 601-612): Recommended Award of Construction Contract to W. J. Hessert Construction Company, Inc., Houston, Texas (Exec. Com. Letter 86-16).--

RECOMMENDATION

The Executive Committee concurs with the recommendation of President Levin and the Office of the Chancellor that the U. T. Board of Regents award a construction contract for Remodeling of Dietary Facilities, Stage III Cafeteria in the John Sealy Hospital (Old Building) at the U. T. Medical Branch - Galveston to the lowest responsible bidder, W. J. Hessert Construction Company, Inc., Houston, Texas, for the Base Bid and Additive Alternates One, Two, Three, Four, and Five in the amount of \$2,282,000.

BACKGROUND INFORMATION

In accordance with the authorization of the U. T. Board of Regents in February 1986, bids for the Remodeling of Dietary Facilities, Stage III Cafeteria, John Sealy Hospital (Old Building) at the U. T. Medical Branch - Galveston, were received and opened on March 27, 1986, as shown on Pages Ex.C 9 - 10. A contract award to W. J. Hessert Construction Company, Inc., Houston, Texas, in the amount

of \$2,282,000 for the Base Bid and Additive Alternates One through Five can be made within the authorized total project cost of \$3,000,000.

The total project cost for this project is composed of the following cost elements:

Construction Cost	\$2,282,000
Fees and Administrative Expenses	267,720
Furniture and Equipment	295,780
Future Work (Air Balancing, Asbestos Removal)	72,500
Miscellaneous Expenses	10,000
Project Contingency	<u>72,000</u>
Total Project Cost	\$3,000,000

REMODELING OF JOHN SEALY HOSPITAL (OLD BUILDING)
 REMODELING OF DIETARY FACILITIES, STAGE III CAFETERIA
 Bids Received March 27, 1986, at
 The University of Texas Medical Branch at Galveston

<u>CONTRACTOR</u>	<u>W. J. Hessert Construction Company, Inc. Houston, TX</u>	<u>Comex Corporation Deer Park, TX</u>	<u>E. G. Lowry Company, Inc. Houston, TX</u>
BASE BID	\$1,600,000	\$1,790,000	\$1,780,000
Alt. No. 1 - Kitchen and Serving Equipment	303,000	313,000	327,700
Alt. No. 2 - New South Entrance	105,000	116,000	165,100
Alt. No. 3 - New Snack Bar HVAC	90,000	90,000	91,200
Alt. No. 4 - Complete Snack Bar	162,000	149,000	136,700
Alt. No. 5 - Terrazzo Floor	<u>22,000</u>	<u>15,800</u>	<u>19,700</u>
SUB-TOTAL (Contract Award)	\$2,282,000	\$2,473,800	\$2,520,400
Alt. No. 6 - HVAC Temperature Controls	<u>130,000</u>	<u>139,000</u>	<u>152,900</u>
TOTAL	\$2,412,000	\$2,612,800	\$2,673,300

REMODELING OF JOHN SEALY HOSPITAL (OLD BUILDING)
 REMODELING OF DIETARY FACILITIES, STAGE III CAFETERIA
 The University of Texas Medical Branch at Galveston
 (Construction Bids Continued)

<u>CONTRACTOR</u>	<u>Don Tarpey Construction Company Texas City, TX</u>	<u>Cahaba Construction Company Houston, TX</u>	<u>Holley Brothers Enterprises, Inc. Pasadena, TX</u>
BASE BID	\$1,864,000	\$1,950,000	\$1,983,000
Alt. No. 1 - Kitchen and Serving Equipment	327,600	331,000	338,214
Alt. No. 2 - New South Entrance	110,600	124,000	128,585
Alt. No. 3 - New Snack Bar HVAC	94,800	111,000	95,602
Alt. No. 4 - Complete Snack Bar	175,000	158,000	177,500
Alt. No. 5 - Terrazzo Floor	<u>19,300</u>	<u>24,000</u>	<u>24,960</u>
SUB-TOTAL (Contract Award)	\$2,591,300	\$2,698,000	\$2,747,861
Alt. No. 6 - HVAC Temperature Controls	<u>152,900</u>	<u>163,000</u>	<u>154,568</u>
TOTAL	\$2,744,200	\$2,861,000	\$2,902,429

**Finance and
Audit Committee**

FINANCE AND AUDIT COMMITTEE
COMMITTEE CHAIRMAN YZAGUIRRE

Date: June 5, 1986
Time: Following the meeting of the Executive Committee
Place: Lobby, Commons Building, Balcones Research Center

	<u>Page</u> <u>F&A</u>
1. U. T. System: <u>Docket No. 28 of the Office of the Chancellor</u>	2
2. U. T. System: Recommended Approval of Non-Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs	2
3. U. T. System: Recommended Acceptance of Aetna Life and Casualty Insurance Company, Hartford, Connecticut, Renewal Rates for The University of Texas System Employee Group Medical and Dental Insurance Contract for 1986-87	2

1. U. T. System: Docket No. 28 of the Office of the Chancellor.--

RECOMMENDATION

It is recommended that Docket No. 28 of the Office of the Chancellor be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to the officer or official executing same.

2. U. T. System: Recommended Approval of Non-Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs.--

RECOMMENDATION

The Office of the Chancellor and the chief administrative officers of the component institutions of the U. T. System recommend that the non-personnel aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical Service, Research and Development Programs be approved.

It is also recommended that the Office of the Chancellor be authorized to make editorial corrections and for subsequent adjustments to be reported to the U. T. Board of Regents through the institutional Dockets.

This item requires the concurrence of the Academic Affairs and Health Affairs Committees.

BACKGROUND INFORMATION

The Chancellor will present a statement in support of the budget recommendation at the committee meeting.

3. U. T. System: Recommended Acceptance of Aetna Life and Casualty Insurance Company, Hartford, Connecticut, Renewal Rates for The University of Texas System Employee Group Medical and Dental Insurance Contract for 1986-87.--

RECOMMENDATION

The Office of the Chancellor recommends renewal of the U. T. System employee group medical and dental insurance contract with Aetna Life and Casualty Insurance Company, Hartford, Connecticut, for 1986-87 with a reduction from three group medical plan options to two plan options and with no increase

in rates for the retained plans and with no change in dental plan options or rates. A summary of proposed conditions and costs for both medical and dental coverage follows:

- a. Group Medical Insurance - The renewal proposal provides for changes in the medical insurance plan design which will replace the existing 3-tier plan by dropping the present \$100 deductible Plan I-UT and creating a 2-tier plan. The present \$200 deductible Plan II-UT will be redesignated as Plan A. The present \$500 deductible Plan III-UT will be redesignated as Plan B.

Monthly rates proposed for 1986-87 for these redesignated plans reflect no increase and are as follows:

	<u>Plan A</u>	<u>Plan B</u>
Employee	\$ 54.25	\$29.82
Employee/Spouse	130.84	93.35
Employee/Children	98.31	70.34
Employee/Family	162.59	99.01

State institutions of higher education are required by law to offer a basic plan of coverage which is automatically provided for each employee from the date of initial employment and is paid entirely by the employer. This automatic coverage providing basic benefits will continue to be provided with no out-of-pocket expense to the employee. Any employee may choose, however, to utilize the employer contribution for other coverages as an option to basic plan participation.

- b. Group Dental Insurance - There are no proposed changes in the dental insurance coverage for 1986-87 and the monthly rates listed below reflect no change.

Employee	\$ 9.28
Employee/Spouse	16.98
Employee/Children	22.70
Employee/Family	28.36

BACKGROUND INFORMATION

Renewal rates at no increase are the result of extensive negotiations with Aetna Life and Casualty Insurance Company and reflect the benefit of cost containment plan changes and employee information programs utilized in 1985-86. The renewed plan will continue to incorporate these cost containment features in an effort to produce equally desirable effects on rates in the future. The U. T. System insurance program continues to maintain quality features required for the protection of employees.

Plan I-UT was discontinued since annual premiums required for this option simply exceeded the individual deductible costs under old option II-UT, therefore, making it an uneconomical buy for the employee.

The monthly employer contribution, available for purchase of coverage of the employee's choice, will be \$85 effective September 1, 1986.

Renewal rates for group medical insurance are influenced by both utilization by employee members and inflation of hospital and medical care costs nationwide. Nevertheless, the experience of the U. T. System group warrants that U. T. System employees continue to be offered group insurances at lower rates and with better benefits than those offered state employees. This has been accomplished through cost containment measures and careful program management. An analysis of rates for the state plan with the U. T. comparable Plan A is presented below:

P L A N

<u>Monthly Rates</u>	<u>Plan A</u>	<u>State Plan</u>
Employee	\$ 54.25	\$ 66.29
Employee/Spouse	130.84	136.87
Employee/Children	98.31	104.79
Employee/Family	162.59	175.36

Current law requires bidding of medical and "basic" employee group life and accident insurance every six years. Aetna Life and Casualty Insurance Company was the successful bidder in fiscal year 1982-83. Bidding will, therefore, occur on or before fiscal year 1988-89.

These rate quotes have the concurrence of the U. T. System Insurance Advisory Committee and have been approved by the Executive Director for Finance and Administration based upon concurrence of the Executive Vice Chancellors for Academic and Health Affairs.

**Academic
Affairs Com.**

ACADEMIC AFFAIRS COMMITTEE
COMMITTEE CHAIRMAN BALDWIN

Date: June 5, 1986
Time: Following the meeting of the Finance and Audit Committee
Place: Lobby, Commons Building, Balcones Research Center

	<u>Page</u> <u>AAC</u>
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14. U. T. Austin: Recommendation to Name Two Rooms in the College of Engineering (<u>Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings</u>)	22
15. U. T. Austin: Recommendation to Name the Tower Carillon in the Main Building (<u>Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings</u>)	23
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1. U. T. Arlington: Proposed Appointment to the Public Accounting Professorship in the College of Business Administration Effective Immediately.--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation that Dr. Thomas W. Hall be appointed to the Public Accounting Professorship in the College of Business Administration at U. T. Arlington effective immediately.

BACKGROUND INFORMATION

Dr. Hall, an Associate Professor of Accounting, is an outstanding teacher and one of the top accounting researchers and publishers in the nation. He has authored or coauthored over 30 publications and research reports and frequently is invited to make presentations at professional accounting meetings. He is an active member of several departmental, university, State, and national accounting committees and associations and is a Certified Public Accountant.

The Public Accounting Professorship was established by the U. T. Board of Regents in February 1986.

2. U. T. Arlington: Recommendation to Approve Increases in University Housing Rates Effective Fall Semester 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation that the U. T. Board of Regents approve increases in rental rates as set forth below for University-Owned Residence Halls, University Village and other apartments acquired through the land acquisition program at U. T. Arlington effective with the Fall Semester 1986:

The University of Texas at Arlington
Proposed Rate Schedule for 1986-87

University-Owned Residence Halls (Dormitories)

LONG SESSION

	<u>1985-86</u> <u>Rate</u>	<u>1986-87</u> <u>Proposed Rate</u>
Lipscomb (North)	\$1,150	\$1,200
Lipscomb (South)	1,050	1,130
Trinity	1,150	1,200
Brazos	990	1,050
Pachl	990	1,070

	<u>1985-86</u> Rate	<u>1986-87</u> Proposed Rate
<u>SUMMER SESSION</u>		
Lipscomb (North)	\$400	\$420
Lipscomb (South)	360	420
Trinity	400	420
Brazos	360	420
Pachl	360	420
Summer Groups	\$9 per night per person	\$10 per night per person

Apartments

		<u>Monthly Rate</u>	
		<u>1985-86</u>	<u>1986-87</u> Proposed
	<u>No. of</u> <u>Units</u>		
University Village			
1 bedroom (2 people)	80	\$290*	\$300*
1 bedroom (2 people)	28	310*	320*
1 bedroom (2 people)	12	305*	315*
1 bedroom (2 people)	4	330*	340*
1 bedroom (3 people)	4	360*	370*
<u>Other Apartments**</u>			
<u>Complex</u>			
Border West			
1 bedroom	18	300	310
2 bedroom	19	400	410
Cooper South			
1 bedroom	14	300	310
2 bedroom	15	400	410
West			
1 bedroom	7	260*	270*
2 bedroom	7	350*	360*
Pisces			
1 bedroom	58	310	320
3 bedroom	1	400	410
Capricorn			
1 bedroom	48	300	310
1 bedroom	4	310	320
Campus			
1 bedroom	28	240*	250*
3 bedroom	1	335*	350*
San Suz			
1 bedroom	22	230*	240*
2 bedroom	1	335	345
Del Mar			
1 bedroom	12	205*	210*
Shelmar North			
	12	200*	210*

	<u>No. of Units</u>	<u>Monthly Rate</u>	
		<u>1985-86</u>	<u>1986-87 Proposed</u>
Shelmar South			
1 bedroom	7	250	260
2 bedroom	1	280	290

* Tenant pays electrical bills.

** These apartments were acquired through the land acquisition program for U. T. Arlington. Rates are based on size and condition of apartments in comparison with pricing schedules in the City of Arlington.

BACKGROUND INFORMATION

These proposed rates are based on a review of increased costs during the past year and anticipated increases over the period of the rate recommendations. The proposed rates are consistent with inflationary trends and will continue to be under pricing schedules for comparable privately owned facilities in Arlington.

Upon Regental approval, the minute order will reflect that the next appropriate catalog published will be amended to conform to this action.

3. U. T. Arlington: Proposed Memorandum of Affiliation with the Veterans Administration Medical Center, Waco, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Nedderman that approval be given to the Memorandum of Affiliation set out on Pages AAC 6 - 7 by and between U. T. Arlington and the Veterans Administration Medical Center, Waco, Texas.

BACKGROUND INFORMATION

This facility does not accept the standard affiliation agreement used by the U. T. System, but the proposed Memorandum of Affiliation is similar to other Veterans Administration agreements previously approved by the U. T. Board of Regents, and it has been reviewed and approved by the Office of General Counsel. This nonstandard agreement will allow students in U. T. Arlington's School of Nursing programs to participate in clinical training activities.

MEMORANDUM OF AFFILIATION

BETWEEN

THE VETERANS ADMINISTRATION MEDICAL CENTER, WACO, TEXAS 76703
(City, State, Zip)

AND

UNIVERSITY OF TEXAS AT ARLINGTON SCHOOL OF NURSING, ARLINGTON, TX 76019
(Educational Affiliate, City, State, Zip)

University of Texas at Arlington

It is mutually agreed by School of Nursing and the Veterans Administration Medical
(Affiliate)

Center Waco, Tx that educational experiences will be provided at the VA facility for students in the following pro-
grams(s): (City, State)

<u>Program Name</u>	<u>Academic Degree Anticipated</u>
Undergraduate and graduate nursing program	B.S. and Masters

The faculty of the University of Texas at Arlington will assume responsibility, in coordi-
(Affiliate)
nation with the VA staff, for the assignment of students. There will be coordinated planning by the VA facility and the faculty members. While in the VA facility, students will be subject to VA rules and regulations.

The facility will retain full responsibility for the care of patients and will maintain administrative and professional supervision of students insofar as their presence affects the operation of the facility and/or the direct and indirect care of patients. The faculty is responsible for the supervision of the education of undergraduate and graduate students and residents.

Students will receive an orientation to the facility. Faculty members and facility staff supervisors will evaluate the student's performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

The University of Texas at Arlington complies with Title VI of the Civil Rights Act of 1964,
(Affiliate)
Title IX of the Education Amendments of 1972, section 504 of the Rehabilitation Act of 1973, and Title II of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving Federal financial assistance.

Nothing in the agreement is intended to be contrary to State or Federal laws. In the event of conflict between terms of this agreement and any applicable State or Federal law, that State or Federal law will supersede the terms of this agreement. In the event of conflict between State and Federal laws, Federal laws will govern.

Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional services covered by this agreement while at the VA health care facility will be that which is provided under the Federal Tort Claims Act, as implemented by 38 U.S.C. 4116.

Periodic reviews of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

This Memorandum of Affiliation may be terminated by either party on written notice to the other 3 months in advance
(Time period)

Date signed _____ Wendell Nedderman
Name (type): WENDELL NEDDERMAN, Ph.D. Title President
Name of Affiliate: University of Texas School of Nursing, Arlington, Tx

Date signed 2/19/86 _____
Name (type): Irvin D. Null Facility Director
VA Medical Center, Waco, Texas

* Date Signed: 3-24-86

Myrna R. Pickard
Myrna Pickard, Dean
The University of Texas at
Arlington School of Nursing

Date Signed: _____

FACILITY:
Ann D. Hall 2/26/86
Medical Center Director
VA Medical Center, Waco, Texas

ATTEST:

(Title)

UNIVERSITY:
By W. D. Neadman
President

FORM APPROVED:
John L. Danoy
OFFICE OF General Counsel of The
System

CONTENT APPROVED:
James P. Dunson
Exec. Vice-Chancellor for Academic
Affairs

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 19__.

Exec. Secretary, Board of Regents
The University of Texas System

*The above is the signature page for the Memorandum of Affiliation between The Veterans Administration Medical Center, Waco, Texas and The University of Texas at Arlington School of Nursing, Arlington, Texas

4. U. T. Austin: Request for Permission for Individual to Serve on the Good Neighbor Commission of Texas [Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11)].--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that approval be given to Governor Mark White's appointment of Dr. Michael L. Lauderdale, Professor in the School of Social Work and Director of the Center for Social Work Research at U. T. Austin, to the Good Neighbor Commission of Texas.

It is further recommended that the U. T. Board of Regents find that: (1) the holding of this office by Dr. Lauderdale is of benefit to the State of Texas, and (2) there is no conflict between Dr. Lauderdale's position at U. T. Austin and his membership on this committee.

BACKGROUND INFORMATION

The Good Neighbor Commission of Texas was established by the 49th Legislature and has responsibility for helping to create good relations between Texas and the nations of the Western Hemisphere, with most of the emphasis placed on Mexico. Dr. Lauderdale's appointment, which is effective immediately, is subject to confirmation by the Texas Senate during the next convening of the State Legislature and expires June 18, 1991. The Commission consists of nine members who serve without remuneration.

This recommendation is in accordance with approval requirements for positions of honor, trust, or profit provided in Article 6252-9a of Vernon's Texas Civil Statutes, and Part One, Chapter III, Section 13, Subsections 13.(10) and 13.(11) of the Regents' Rules and Regulations.

5. U. T. Austin: Request for Authorization to Establish a Master of Arts in Asian Studies and to Submit the Proposed Degree to the Coordinating Board for Approval (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's request for authorization to establish a Master of Arts in Asian Studies at U. T. Austin. Upon Regental approval, this proposal will be submitted to the Coordinating Board for approval. If approved by the Coordinating Board, implementation will be limited to resources on hand until the 1988-89 biennium. Description of the proposed program follows.

Program Description

The Master of Arts in Asian Studies is designed to offer students advanced and specialized training in East and South Asian area studies, including a working knowledge of an Asian

language. A student who completes this program will have a comprehensive understanding of the Asian country or countries of his or her specialization. The program will be administered by a Graduate Studies Committee selected from the Center for Asian Studies. The Master's degree program in Asian Studies will consist of at least 30 semester hours with thesis or at least 33 semester hours with report and will include core courses in history and language in the area of specialization. Students enrolled in the proposed M.A. must complete three years of language study or pass a proficiency examination in the Asian language of their choice.

BACKGROUND INFORMATION

If approved, the M.A. in Asian Studies would complete a long-range plan for area studies which began with the approval of the Master of Arts in Latin American Studies in 1966 and the Master of Arts in Middle Eastern Studies in 1977. The program would build upon the existing Bachelor of Arts in Asian Studies, a program which currently enrolls some 2,000 students per year. This program would be strongly complemented by the Master of Arts in Oriental Languages, Literature, and Culture. The Master of Arts in Asian Studies would be administered by the Center for Asian Studies, a strong nationally recognized Center with substantial external funding. Though the proposal suggests the desirability of the addition of two part-time teaching assistants and a classified staff person, the proposed program can be initiated with no additional personnel. No new faculty positions will be required to ensure the full implementation of the new degree program and no new positions are projected within the framework of the new degree program. The holdings of the General Libraries are more than adequate to support the proposed program. However, it is hoped that modest additions to the Asian Studies collection can be made within the next five years. No new facilities or equipment are needed to implement the program. With the growing importance of area studies in our global society and the increased political and economic linkages between Texas and the Asian states, this proposal is particularly timely.

The proposed degree is included in the mission, role and scope of U. T. Austin as approved by the U. T. Board of Regents in December 1985 and is consistent with the U. T. Austin strategic plan as submitted to the Office of the Chancellor.

6. U. T. Austin: Proposed Appointment to the Eugene McDermott Centennial Visiting Professorship in the School of Architecture for the Spring Semester 1987 Only Effective January 16, 1987.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Christian Norberg-Schulz, Dean of the Oslo School of Architecture, Norway, be appointed to the Eugene McDermott Centennial Visiting Professorship in the School of Architecture at U. T. Austin for the Spring Semester 1987 only effective January 16, 1987. Dr. Norberg-Schulz will be a Visiting Professor in the School of Architecture at U. T. Austin during this period.

BACKGROUND INFORMATION

Dr. Norberg-Schulz, an outstanding architectural historian and theorist, has authored 21 books on architectural subjects and numerous essays in professional periodicals. Dr. Norberg-Schulz has been a visiting critic or lecturer at Yale University, Cambridge University, Massachusetts Institute of Technology, Harvard University, and numerous other European and American universities. He has served as Professor and Dean at the Oslo School of Architecture and currently is chairman of the Mies van der Rohe Symposium in Aachen in the Federal Republic of Germany.

The Eugene McDermott Centennial Visiting Professorship was established by the U. T. Board of Regents in October 1982.

7. U. T. Austin: Proposed Appointment to the Centennial Chair in Business Education Leadership in the College of Business Administration and the Graduate School of Business Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Robert E. Witt, Dean of the College of Business Administration and the Graduate School of Business, be appointed to the Centennial Chair in Business Education Leadership in the College of Business Administration and the Graduate School of Business at U. T. Austin effective September 1, 1986.

BACKGROUND INFORMATION

Dr. Witt, a U. T. Austin faculty member since 1968, has served as Acting Dean of the College of Business Administration and the Graduate School of Business since September 1985 and was appointed Dean effective April 1986. He is nationally recognized for his marketing scholarship and teaching and has received numerous teaching awards at U. T. Austin. He is the author of one monograph and more than fifteen other research articles. Dr. Witt is considered to be an outstanding university administrator and has served as Associate Dean for Academic Affairs, a member of all major College of Business Administration committees, the Executive Council of The Ex-Students' Association, and the Board of Directors of the University Co-op.

Dr. Witt will relinquish the Betty and Glenn Mortimer Centennial Professorship in Business on the effective date of the new appointment.

The Centennial Chair in Business Education Leadership was established by the U. T. Board of Regents in February 1983.

8. U. T. Austin: Proposed Appointment to the Earnest F. Gloyna Regents Chair in Engineering in the College of Engineering Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Ben G. Streetman, Janet S. Cockrell Centennial Chair in Engineering, be appointed as the initial holder of the Earnest F. Gloyna Regents Chair in Engineering at U. T. Austin effective September 1, 1986.

BACKGROUND INFORMATION

Dr. Streetman joined the U. T. Austin faculty in 1982 and is recognized internationally for his research in semiconductor materials and devices, radiation damage and ion implantation, transient annealing, deep level impurities and defects in semiconductors, and multilayer heterostructures. He was elected a Fellow of the Institute of Electrical and Electronics Engineers (IEEE) in 1980 and has served on the IEEE Device Research Conference Program Committee. Dr. Streetman serves on the University Advisory Committee of the Semiconductor Research Corporation and on several panels and committees in industry and government. He is the author of one book and has published more than 125 technical articles. Nineteen electrical engineering or physics students have received their doctoral degrees under his direction.

Dr. Streetman will relinquish the Janet S. Cockrell Centennial Chair in Engineering on the effective date of the new appointment.

The Earnest F. Gloyna Regents Chair in Engineering was established by the U. T. Board of Regents in February 1985.

9. U. T. Austin: Proposed Appointment to the Marguerite Fairchild Centennial Professorship in the College of Fine Arts Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Maurice J. Sevigny, Professor and Director of the School of Art, Bowling Green State University, Bowling Green, Ohio, be appointed to the Marguerite Fairchild Centennial Professorship in the College of Fine Arts at U. T. Austin effective September 1, 1986. Dr. Sevigny's appointment as Professor and Chairman of the Department of Art has been approved effective September 1, 1986.

BACKGROUND INFORMATION

Dr. Sevigny, Director of the School of Art at Bowling Green State University since 1977, is nationally recognized for his substantial and significant contributions to art education. He is currently chair of the Professional Materials Review Committee, National Art Education Association, and chairman-elect of the Division of Higher Education, National Art Education Association. He has authored numerous articles and book chapters in art education areas as teacher training and instructional methodologies and is annually invited to present lectures and papers at symposia and workshops. Dr. Sevigny is an excellent teacher at both the undergraduate and graduate levels and was selected as the first recipient of the Hollis Moore Memorial Award for Exceptional Administrative Service at Bowling Green State University. He is an active member of several national associations of art, including the fifty-member National Council for Policy Studies in the Arts, a council on which nationally recognized scholars serve until their retirement from the art profession.

The Marguerite Fairchild Centennial Professorship was established by the U. T. Board of Regents in August 1983, when additional gifts were received and the existing Marguerite Fairchild Endowment Fund, established in May 1980, was redesignated to fund this professorship.

10. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the School of Law Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's School of Law effective September 1, 1986. Professors will vacate any currently held endowed positions on the effective date of the new appointment unless otherwise indicated.

<u>Name of Proposed Appointee</u>	<u>Endowed Academic Position</u>
Mr. Jay L. Westbrook, Strasburger & Price Centennial Faculty Fellow in Law	Andrews & Kurth Centennial Professorship in Law, established February 1983; initial appointment
Mr. Calvin H. Johnson, Professor of Law	Arnold, White & Durkee Centennial Professorship in Law, established August 1983; initial appointment
Mrs. Inga Markovits, Professor of Law	Morris and Rita Atlas Family Centennial Profes- sorship in Law, estab- lished August 1983; initial appointment
Mr. David W. Robertson, Professor of Law	Hines H. Baker and Thelma Kelley Baker Chair in Law, established December 1962 and redesignated April 1986

<u>Name of Proposed Appointee</u>	<u>Endowed Academic Position</u>
Mr. Robert O. Dawson, Judge Benjamin Harrison Powell Professor in Law	Lloyd M. Bentsen, Jr. Centennial Professorship in Law, established February 1982
Mr. Lucas A. Powe, Bernard J. Ward Centennial Professor in Law	James R. Dougherty Chair for Faculty Excellence in the Law School, established June 1975; for the 1986-87 academic year only
Mr. Thomas O. McGarity, Cooper K. Ragan Regents Professor in Law	William Stamps Farish Professorship in Law, established September 1967
Mr. John J. Sampson, Ben Gardner Sewell Professor in Civil Trial Advocacy	The Fondren Foundation Centennial Chair for Faculty Excellence, established August 1983; initial appointment
Mr. J. Leon Lebowitz, Vinson & Elkins Professor in Law	Thos. H. Law Centennial Professorship in Law, established June 1983; initial appointment
Mr. Sanford V. Levinson, The Graves, Dougherty, Hearon & Moody Centennial Faculty Fellow in Law	Charles Tilford McCormick Professorship of Law, established January 1965
Mr. William C. Powers, Joseph C. Hutcheson Professor in Law	Judge Benjamin Harrison Powell Professorship in Law, established October 1971
Mr. David B. Filvaroff, The W. St. John Garwood Centennial Professor in Law	Cooper K. Ragan Regents Professorship in Law, established, Febru- ary 1984
Mr. Corwin W. Johnson, Edward Clark Centennial Professor in Law	Tom Sealy Centennial Research Professorship in Energy Law, established April 1982; initial appointment
Mr. Harold H. Bruff, John S. Redditt Professor in State and Local Government	Thompson & Knight Cen- tennial Professorship in Law, established August 1983; initial appointment
Mr. David A. Anderson, Stanley D. Rosenberg Centennial Professor in Property Law	Vinson & Elkins Professorship in Law, established May 1968
Mr. George E. Dix, Lloyd M. Bentsen, Jr. Centennial Professor in Law	A. W. Walker Centennial Chair in Law, established December 1982

BACKGROUND INFORMATION

Professor Westbrook has been a faculty member at U. T. Austin since 1980 and was a partner with the Surrey and Morse law firm in Washington, D. C. before joining the faculty. He is nationally recognized for his scholarly contributions to the fields of commercial and international law, has written numerous articles, and recently completed a book. He received the Texas Excellence Teaching Award for the School of Law in 1981 and has also received the Student Bar Association Teaching Excellence Award. Professor Westbrook has chaired the Law School Bar and Alumni Relations Committee and the Dean's Long Range Planning Committee.

Professor Johnson, a faculty member at U. T. Austin since 1981, is a highly regarded scholar in the area of taxation laws and has written numerous articles related to this field. He is an excellent classroom teacher in the areas of federal income tax, tax finance, and corporate and partnership tax. Professor Johnson was an associate with the firm of Paul, Weiss, Rifkind, Wharton & Garrison in New York City and was a tax lawyer in the Office of Tax Legislative Counsel at the U. S. Department of the Treasury before joining the Rutgers Law School faculty.

Professor Markovits joined the U. T. Austin faculty in 1976 and is a highly regarded teacher and scholar in the area of civil procedure, especially in regard to domestic laws and the rights of children under the law. She is the author of numerous law review articles and was formerly a lecturer at the Stanford Law School. Professor Markovits has held a number of fellowships, including the Ford International Fellowship at Cornell and the Foreign Area Fellowship at the London School of Economics. She has received two National Science Foundation Grants, was a Senior Research Associate at the Centre for Socio-Legal Studies at Wolfson College in Oxford, England, and is currently conducting research in West Berlin.

Professor Robertson was a faculty member at U. T. Austin from 1966 to 1980 and rejoined the faculty in 1983. He currently holds the Hines H. Baker and Thelma Kelley Baker Professorship in Law in the Field of Jurisprudence which was redesignated at the April 1986 U. T. Board of Regents' meeting as the Hines H. Baker and Thelma Kelley Baker Chair in Law. He is a nationally recognized teacher and scholar in the field of maritime law, as well as in torts and jurisprudence. Mr. Robertson has received the Student Bar Association's Teaching Excellence Award at U. T. Austin and was appointed to the James R. Dougherty Chair for Faculty Excellence in 1976-77. He has authored the widely-used book Admiralty and Federalism and more than thirty legal articles and other publications.

Professor Dawson joined the U. T. Austin faculty in 1968 and is nationally recognized for his teaching and scholarship in the fields of criminal law, criminal justice administration, and the mental health process. He was formerly a faculty member of the Washington University and has served as Director of the U. T. Austin Criminal Justice Project and as Director of the School of Law Criminal Defense Clinic. He is the author or coauthor of numerous articles and books and is an outstanding classroom teacher and administrator.

Professor Powe joined the U. T. Austin faculty in 1971 and is a highly regarded scholar in the fields of constitutional law and the federal courts. He has written over twenty-five articles, monographs, and essays and has frequently been called upon to testify before Congressional committees concerning civil liberties, freedom of expression, and citizen jurisdiction. He

previously served as Law Clerk for Justice William O. Douglas, United States Supreme Court and as a member on the Board of Review of The William O. Douglas Inquiry into the State of Individual Freedom. Professor Powe was a faculty member at the University of British Columbia and has held visiting professorships at Georgetown University and the University of California at Berkeley. He is an outstanding classroom teacher and is active in administrative service in the School of Law. Professor Powe will retain his appointment to the Bernard J. Ward Centennial Professorship in Law during his one-year appointment to this chair.

Professor McGarity, a faculty member at U. T. Austin since 1980, is nationally recognized for his scholarly contributions and expertise in the area of environmental law. He was formerly a faculty member of the University of Kansas School of Law and an attorney advisor at the U. S. Environmental Protection Agency. He is the author of a major casebook and numerous articles and reports. Professor McGarity is a capable and effective teacher of environmental law, torts, and administrative law and has chaired or served as a member of several School of Law committees.

Professor Sampson, a faculty member at U. T. Austin since 1970, is a nationally recognized scholar in the field of civil trial practice, especially in regard to domestic cases. He is a 1966 magna cum laude graduate of the University of Minnesota Law School where he served as president of the Minnesota Law Review. He is the author or coauthor of more than twenty-five articles and monographs and has served as editor of Family Law Section Report, State Bar of Texas. Professor Sampson serves as Legislative Advisor to the Family Law Council, State Bar of Texas, and as a member of the Board of Directors of the Legal Aid Society of Texas. He served as Assistant General Counsel of the U. S. Commission on Obscenity and Pornography in Washington, D. C.

Professor Lebowitz joined the U. T. Austin faculty in 1956 and is nationally recognized for his work in corporations law, civil procedure, and securities regulation. He is the author or coauthor of five books and more than twenty book chapters, articles, and reviews and has drafted numerous State legislative acts and amendments relating to corporations law and securities law. Professor Lebowitz has held teaching positions at the University of North Carolina, the University of Utah, Southern Methodist University, Baylor University, and Louisiana State University. He is an active participant in the professional activities of the American Bar Association and the State Bar of Texas.

Professor Levinson joined the U. T. Austin faculty in 1979 and is a nationally recognized teacher and scholar of constitutional law. He is a 1973 graduate of Stanford Law School and has written more than thirty articles. Professor Levinson is a former faculty member at Princeton University, has taught as a visiting professor at Hebrew University, and has served as staff attorney for the Children's Defense Fund in Cambridge, Massachusetts. In addition to his scholarly achievements, he is an outstanding classroom teacher.

Professor Powers joined the U. T. Austin faculty in 1977 and is a nationally recognized scholar in the field of jurisprudence. He is a 1973 graduate of the Harvard University Law School where he served as managing editor of the Harvard Law Review. He has taught at the University of Washington and has held visiting appointments at the University of Michigan and Southern Methodist University. Professor Powers is frequently invited to lecture and present papers on products liability at

continuing legal education conferences and has authored approximately fifteen articles, reviews, notes and other legal publications. He is an excellent teacher in the fields of jurisprudence, torts, civil procedure, and conflicts of law.

Professor Filvaroff joined the U. T. Austin faculty in 1972 and teaches international law, civil rights, torts, and constitutional law. He is a 1958 magna cum laude graduate of the Harvard University Law School and a member of the Harvard Law Review. He is the author of numerous legal articles and is a frequent lecturer at national law colloquia. In 1978 he served as consultant and senior advisor to the U. S. delegation to the Belgrade Conference on Security and Cooperation in Europe and as the chairman of the U. S. delegation of the Montreux Conference on Peaceful Settlement of International Disputes.

Professor Johnson, a faculty member at U. T. Austin since 1947, is nationally recognized for his teaching and scholarship in the areas of property law, land use planning, and water law. He is the coauthor of the most widely-used property law casebook in the United States as well as approximately twenty other published legal articles and reports. Professor Johnson is a very effective teacher and has held visiting faculty appointments at numerous universities.

Professor Bruff joined the U. T. Austin faculty in 1983 and is a nationally recognized scholar in the fields of constitutional and administrative law. He is the coauthor of the leading national casebook on administrative law and has authored numerous articles in his areas of expertise. Professor Bruff has held faculty appointments at Arizona State University, the University of Minnesota, the University of North Carolina, the University of Virginia, and the University of California at Los Angeles. He has testified before several U. S. Congressional committees and also served as a senior attorney in the Office of Legal Counsel, U. S. Department of Justice.

Professor Anderson, a U. T. Austin faculty member since 1972, is nationally recognized for his work in the fields of property law, land use planning, and mass communications law. He is the coauthor of three books on the State of Texas constitution and has authored numerous articles in his areas of expertise. Professor Anderson is an effective teacher and has served as associate of Litigation Magazine and is consultant to or member of numerous State Bar of Texas and Texas Advisory Commission on Intergovernmental Relations committees. Other positions he has held during his service at U. T. Austin include consultant to the Environmental Law Institute and chairperson of the Mass Communications Law Section, Association of American Law Schools.

Professor Dix joined the U. T. Austin faculty in 1971 and is a nationally recognized scholar in the fields of criminal law, criminal justice administration, and mental health laws. He is a prolific author and has written or coauthored over forty articles and monographs and numerous books. Professor Dix currently serves on the Editorial Advisory Board of Law and Human Behavior. He is a former faculty member at Washington University and Arizona State University and served as Law Clerk for U. S. Court of Appeals Judge John G. Goldbold. His excellence as a scholar is matched by his excellence in the classroom, and in 1984 he received the Texas Bar Foundation Law Review Award.

11. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Liberal Arts Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's College of Liberal Arts effective September 1, 1986.

<u>Name of Proposed Appointee</u>	<u>Endowed Academic Position</u>
Dr. Richard Graham, Professor, Department of History	Frances Higginbothom Nalle Centennial Professorship in History, established October 1983; initial appointment
Ambassador H. Eugene Douglas, President, Alpha Environmental, Inc.	C. B. Smith, Sr. Centennial Chair in United States- Mexico Relations #1, estab- lished October 1984; initial appointment; 1986-87 academic year only
Dr. Bryan R. Roberts, Professor of Sociology, University of Manchester, (Great Britain)	C. B. Smith, Sr. Centennial Chair in United States- Mexico Relations #4, estab- lished October 1984; initial appointment
Dr. Alan S. Knight, Lecturer in Modern History, University of Essex (England)	Annabel Irion Worsham Centennial Professorship, established December 1982; initial appointment

BACKGROUND INFORMATION

Professor Graham, a faculty member at U. T. Austin since 1970, is an internationally recognized Latin American historian. He has held academic appointments at the University of Utah and Cornell University and several prestigious postdoctoral fellowships. He is the author or editor of seven books and more than thirty scholarly articles and book chapters and has served on the editorial boards of several scholarly journals. Dr. Graham is a gifted and creative teacher at both the undergraduate and graduate levels. He has directed fifteen Ph.D. degree dissertations and twenty M.A. degree theses.

Ambassador Douglas' appointment as Visiting Professor at U. T. Austin has been approved effective September 1, 1986. Ambassador Douglas has had a distinguished career in the private sector and in government service, especially related to issues of importance to the U. S. and Mexico. He is currently President of Alpha Environmental, Inc., a biotechnology company engaged in research, development, and commercialization of microbiological technologies, and previously served as Corporate Director for International Trade and Government Affairs for Memorex Corporation. Ambassador Douglas has served as the United States Coordinator for Refugee Affairs and Ambassador-at-Large and as a Senior Member of the Policy and Planning Staff of the Department

of State. He is a native Texan and currently is a member of the Boards of the Presiding Bishop's Fund for World Relief of the Episcopal Church, Her Majesty the Queen of Thailand's Support Fund, the Council for National Policy, and the Afghanistan Relief Committee and has been honored for his extensive public service by the Freedom Foundation of Valley Forge.

Dr. Roberts will be joining the U. T. Austin faculty as a Professor in the Department of Sociology effective June 1986. He has been a faculty member at the University of Manchester since 1964 and is internationally recognized as the world's leading authority on population growth and demography in Mexico. He has authored or edited six books and more than thirty scholarly articles. Dr. Roberts' recently funded major research projects have included a study of urban poverty, consumption strategies, and local culture in Guadalajara, Mexico, and a study of regional development and labor markets in Jalisco, Mexico. He currently is chairman of the Social Affairs Committee of the Economic and Social Research Council of Great Britain. Dr. Roberts is an excellent teacher at all instructional levels and currently teaches both large introductory courses in beginning sociology and advanced seminars on Latin America and on development.

Dr. Knight will join the U. T. Austin faculty as a Professor in the Department of History effective September 1986. He has been a faculty member at the University of Essex since 1973 and is considered to be the leading authority on twentieth century Mexican history in the United Kingdom. He has authored numerous outstanding publications, has taught history courses on Mexican, Latin American, and South American topics, and has supervised and examined numerous doctoral theses on nineteenth and twentieth century Mexican history topics.

12. U. T. Austin: Proposed Appointments to Endowed Academic Positions in the College of Natural Sciences Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to approve the following appointments to endowed academic positions in U. T. Austin's College of Natural Sciences effective September 1, 1986. Professors will vacate any currently held endowed positions on the effective date of the new appointment.

<u>Name of Proposed Appointee</u>	<u>Endowed Academic Position</u>
Dr. William L. Fisher, Morgan J. Davis Centennial Professor in Petroleum Geology, Chairman of the Department of Geological Sciences, and Director of the Bureau of Economic Geology	Leonidas T. Barrow Centennial Chair in Mineral Resources, established August 1978
Dr. Bryce S. DeWitt, Professor, Department of Physics	Jane and Roland Blumberg Centennial Professorship in Physics, established December 1981; initial appointment

Name of Proposed Appointee

Endowed Academic Position

Dr. Josef Michl, Professor
of Chemistry, University of
Utah

Marvin K. Collie - Welch
Regents Chair in Chemistry,
established February 1985;
initial appointment

Dr. Cameron M. Gordon,
Professor, Department of
Mathematics

Joe B. and Louise Cook
Professorship in Mathematics,
established August 1983;
reappointment

Dr. Austin M. Gleeson,
Professor, Department of
Physics

Marian Harris Gilliam Cen-
tennial Professorship in
Mathematics or Physics,
established February 1983;
reappointment

Mr. C. A. R. Hoare, Professor
of Computer Science,
University of Oxford (England)

Admiral B. R. Inman Centen-
nial Chair in Computing
Theory, established June 1983;
initial appointment

Dr. Dennis Sullivan, Einstein
Professor of Mathematics,
Queens College, City University
of New York

Fourth Sid W. Richardson
Foundation Regents Chair in
Mathematics, established
February 1985; initial
appointment; for the 1986-87
Fall Semester only

Dr. Dorothea Bennett, Professor
of Cell Biology and Genetics,
Sloan-Kettering Institute for
Cancer Research (New York)

Alfred W. Roark Centennial
Professorship in Natural
Sciences, established
August 1982; initial appoint-
ment

Dr. James T. Sprinkle,
Professor, Department of
Geological Sciences

The First Mr. and
Mrs. Charles E. Yager Pro-
fessorship, established
August 1981

Dr. John M. Sharp, Professor,
Department of Geological
Sciences

The Third Mr. and
Mrs. Charles E. Yager Pro-
fessorship, established
August 1981

BACKGROUND INFORMATION

Dr. Fisher joined the U. T. Austin Bureau of Economic Geology as a research scientist in 1960 and joined the faculty of the Department of Geological Sciences in 1964. He has been State Geologist of Texas and Director of the Bureau of Economic Geology since 1970, with the exception of two years when he served as Deputy Assistant Secretary for Energy and Assistant Secretary for Energy and Minerals, U. S. Department of the Interior. Dr. Fisher currently serves as President of the American Association of Petroleum Geologists. He is internationally recognized for his contributions to the field of petroleum geology and is an outstanding administrator. He has authored or coauthored eight books, nine atlases, and approximately 100 reports, monographs, bulletins, and articles.

Dr. DeWitt, a faculty member at U. T. Austin since 1972, is an internationally recognized scholar in the field of relativity theory and is Director of the Center for Relativity at U. T. Austin. Dr. DeWitt is the author or coauthor of more than 60 scholarly publications and is frequently invited to lecture at symposia and conferences throughout the world. He is a gifted and highly regarded teacher at both the undergraduate and graduate levels.

Dr. Michl will join the U. T. Austin faculty as Professor in the Department of Chemistry effective Fall Semester 1986 and has been a faculty member at the University of Utah since 1969. He is a physical organic chemist who is internationally known for his pioneering studies on the synthesis, trapping, and spectroscopy of unstable organic species. He currently directs a large research team at the University of Utah and has authored or coauthored more than 200 scholarly publications. Dr. Michl is annually invited to present lectures at scientific conferences or university symposia and has held visiting faculty appointments at several universities in the U. S. and in Europe. He has received an Alfred P. Sloan Fellowship, the Distinguished Research Award at the University of Utah, an Alexander von Humboldt Senior U. S. Scientist Award, and a John Simon Guggenheim Fellowship and was recently elected to the National Academy of Sciences.

Dr. Gordon has been a faculty member at U. T. Austin since 1977 and is internationally recognized for his research and scholarship in low-dimensional topology. He previously was a member of the faculties at the Institute des Hautes Etudes Scientifiques in Paris, UCLA, and the Institute for Advanced Study in Princeton. Dr. Gordon has authored or coauthored more than 30 refereed journal articles, and articles in conference proceedings and research monographs and during the past three years has presented several major addresses at mathematical conferences in the United States and abroad. He is a highly rated teacher of both undergraduate and graduate students and has served on numerous committees within the Department of Mathematics.

Dr. Gleeson, a faculty member at U. T. Austin since 1969, is recognized nationally for his research in high-energy physics. He has authored or coauthored more than 35 scholarly articles and is widely recognized on the U. T. Austin campus for his excellence in teaching physics to College of Engineering honors program students. Dr. Gleeson served as U. T. Austin's Associate Dean of the Graduate School and Associate Dean of the College of Natural Sciences and in 1977, received the AMOCO Foundation Outstanding Teaching Award.

Professor Hoare will join the U. T. Austin faculty as a Professor in the Department of Computer Sciences in September 1986 and is internationally recognized as one of the two founding fathers of and leading scholars in computer systems theory. He held professorial appointments at The Queen's University of Belfast and Stanford University before joining the University of Oxford faculty in 1977. Professor Hoare is a Distinguished Fellow of the British Computer Society, Fellow of the Royal Society, and has received an honorary Doctor of Science degree from the University of Southern California. He has served as editor of the Prentice-Hall International Series in Computer Science since 1977 and has authored or coauthored more than 70 publications. He is an excellent teacher, both in the classroom and working individually with graduate students.

Dr. Sullivan is an internationally recognized mathematician and mathematical researcher. He was elected to the National Academy of Sciences in 1983 and received the Elie Cartan Prix en Geometrie from the French Academy of Science in 1981. Dr. Sullivan holds an appointment as Professor Permanente at the Institute des Hautes Etudes Scientifiques in France in addition to his Einstein Professorship at CUNY and has previously held faculty appointments at Princeton University and the Massachusetts Institute of Technology. He has authored or coauthored over 35 scholarly publications and is an outstanding researcher and teacher. Dr. Sullivan's appointment as a visiting professor in the Department of Mathematics at U. T. Austin has been approved effective September 1, 1986.

Dr. Bennett will be appointed as Professor and Chairman of the Department of Zoology effective September 1986 and is internationally recognized for her contributions to the field of developmental genetics. She has authored or coauthored more than 125 scholarly publications and is a member of the editorial boards of numerous scientific journals. Dr. Bennett has been a member of the Jackson Laboratory Board of Scientific Overseers in Bar Harbor, Maine, since 1975 and has served as chairman since 1980 where she has shown exceptional scientific vision and administrative skill in guiding a research institute of more than 30 senior investigators and several hundred staff.

Dr. Sprinkle, a faculty member at U. T. Austin since 1971, is a nationally recognized paleontologist. He is the author or coauthor of more than 30 articles, abstracts, and chapters and was selected by the Geological Society of America to receive the 1982 Schuchert Award, given to a paleontologist under forty who exhibits excellence in research. He is an excellent teacher at both the undergraduate and graduate levels and has served as Undergraduate Advisor for the Department of Geological Sciences for the last two years.

Dr. Sharp has been a faculty member at U. T. Austin since 1982 and is a nationally recognized hydrogeologist and an active member of the Geological Society of America. Dr. Sharp has received several research awards including the Geology Association of America's O. E. Meinzer Award in 1979 for distinguished contributions to hydrogeology. He is the author or coauthor of more than 40 scholarly publications and is solely responsible for the hydrogeology program in the Department of Geological Sciences. Dr. Sharp is a highly regarded teacher at both the undergraduate and graduate levels and developed an excellent field course in groundwater geology. He is active in departmental administration and currently serves on the Course and Curriculum Committee and is Associate Chairman of the Department of Geological Sciences.

13. U. T. Austin: Proposed Appointment to the Henry M. Burlage Centennial Endowed Professorship in Pharmacy in the College of Pharmacy Effective September 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that Dr. Creed W. Abell, Professor and Director of Human Biological Chemistry and Genetics at the U. T. Medical Branch - Galveston, be appointed to the Henry M. Burlage Centennial Endowed Professorship in Pharmacy in the College of

Pharmacy at U. T. Austin effective September 1, 1986. Dr. Abell's appointment as a professor in the College of Pharmacy at U. T. Austin has been approved effective September 1, 1986.

BACKGROUND INFORMATION

Dr. Abell, an outstanding educator and scientist at the U. T. Medical Branch - Galveston since 1972, is internationally recognized for his contributions to neurochemistry and neurobiology. He has authored or coauthored over 75 scientific publications and over 50 scientific abstracts. Dr. Abell developed the M.D. - Ph.D. Program in Biochemistry at the U. T. Medical Branch - Galveston and currently directs the Multidisciplinary Research Program on Schizophrenia. He actively supervises graduate students and postdoctoral fellows and teaches courses in such areas as advanced enzymology and the replication, transcription, and translation of nucleic acids.

The Henry M. Burlage Centennial Endowed Professorship in Pharmacy was established by the U. T. Board of Regents in August 1982.

14. U. T. Austin: Recommendation to Name Two Rooms in the College of Engineering (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name the rooms listed below in the new Chemical and Petroleum Engineering Building, College of Engineering at U. T. Austin, in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings:

- a. Room 3.432 - The Dow Chemical Company Foundation Polymer Laboratory
- b. Room 2.222 - Edward H. Ellms Graduate Seminar Room

BACKGROUND INFORMATION

At its December 1981 meeting, the U. T. Board of Regents approved the naming of facilities other than buildings as part of a special private fund development campaign for the College of Engineering, in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

The proposed room names are in recognition of gifts for the College of Engineering endowment program for the new Chemical and Petroleum Engineering Building. The income will be used to maintain and improve equipment and to support the research and teaching functions of the named laboratory and seminar room. Acceptance of these gifts and establishment of permanent endowment accounts is provided for in Item 4, Page L&I - 10, and Item 8, Page L&I - 12.

15. U. T. Austin: Recommendation to Name the Tower Carillon in the Main Building (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, Naming of Facilities Other Than Buildings).--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to name the tower carillon in the Main Building at U. T. Austin The Kniker Carillon, in accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Subsection 1.2, relating to the naming of facilities other than buildings.

BACKGROUND INFORMATION

Miss Hedwig T. Kniker of San Antonio, Texas, has bequeathed a sum sufficient to expand the existing set of 17 bells in the tower of the Main Building to a full concert carillon of 56 bells. The amount of the bequest will cover the cost of manufacture, installation by the manufacturer, and electrical work to be done by U. T. Austin.

Miss Kniker received a B.A. and an M.A. in Geological Sciences from U. T. Austin in 1916 and 1917, respectively. During her career as a geologist, she was employed by Texaco and Phillips Petroleum and was a consultant in Paleontological and Stratigraphical services in San Antonio and the United Geophysical Company and the Chile government in South America.

Acceptance of this bequest is provided for in Item 12, on Page L&I - 15.

16. U. T. Austin: Proposed Memorandum of Affiliation with the Veterans Administration Medical Center, San Juan, Puerto Rico.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that approval be given to the Memorandum of Affiliation set out on Pages AAC 24 - 25 by and between U. T. Austin and the Veterans Administration Medical Center, San Juan, Puerto Rico.

BACKGROUND INFORMATION

This facility does not accept the standard affiliation agreement used by the U. T. System, but the proposed Memorandum of Affiliation is similar to other Veterans Administration agreements previously approved by the U. T. Board of Regents, and it has been reviewed and approved by the Office of General Counsel. This nonstandard agreement will allow students in U. T. Austin's Master of Science in Social Work program to participate in clinical training activities.

MEMORANDUM OF AFFILIATION

BETWEEN

THE VETERANS ADMINISTRATION MEDICAL CENTER, SAN JUAN, PUERTO RICO 00936

AND

THE UNIVERSITY OF TEXAS AT AUSTIN GRADUATE SCHOOL OF SOCIAL WORK
AUSTIN, TEXAS, 78712-1703

It is mutually agreed by The University of Texas at Austin Graduate School of Social Work and the Veterans Administration Medical Center, San Juan, Puerto Rico that educational experiences will be provided at the VA facility for students in the following program: Master's Degree Program in Social Work.

The faculty of The University of Texas at Austin Graduate School of Social Work will assume responsibility, in coordination with the VA staff, for the assignment of students. There will be coordinated planning by the VA facility and the faculty members. While in the VA facility, students will be subject to VA rules and regulations.

The facility will retain full responsibility for the care of patients and will maintain administrative and professional supervision of students insofar as their presence affects the operation of the facility and/or the direct and indirect care of patients. The faculty is responsible for the supervision of the education of graduate students.

Students will receive an orientation to the facility. Faculty members and facility staff supervisors will evaluate the student's performance in mutual consultation and according to the guidelines outlined in the approved curriculum.

The University of Texas at Austin Graduate School of Social Work complies with Title VI of the Civil Rights Act of 1964, Title IX of the Education Amendments of 1972, Section 504 of the Rehabilitation Act of 1973, and Title III of the Older Americans Amendments of 1975, and all related regulations, and assures that it does not, and will not, discriminate against any person on the basis of race, color, sex, creed, national origin, age or handicap under any program or activity receiving Federal financial assistance.

Nothing in the agreement is intended to be contrary to State or Federal laws. In the event of conflict between terms of this agreement and any applicable State or Federal law, that State or Federal law will supersede the terms of this agreement. In the event of conflict between State and Federal laws, Federal laws will govern.

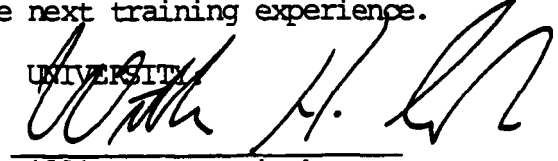
Protection of faculty members and students of the affiliated institution from personal liability when furnishing professional services covered by this agreement while at the VA health care facility will be that which is provided under the Federal Tort Claims Act, as implemented by 38 U.S.C. 4116.

Periodic reviews of programs and policies will be conducted under the auspices of the Office of Academic Affairs.

This Memorandum of Affiliation may be terminated by either party on written notice to the other six months in advance of the next training experience.

Date Signed: 2/26/86

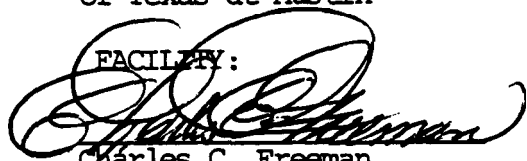
UNIVERSITY:



William H. Cunningham
President, The University
of Texas at Austin


Date Signed 2/6/86

FACILITY:




Charles C. Freeman
Center Director
VA Medical & Regional
Office Center
San Juan, Puerto Rico

FORM APPROVED:


General Counsel
The University of Texas System

CONTENT APPROVED:


Executive Vice Chancellor
For Academic Affairs
The University of Texas System

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

17. U. T. Dallas: Recommendation for Approval to Establish Charges for Catalogs Effective Immediately (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Rutford's recommendation that the U. T. Board of Regents approve implementation of a \$2 charge for graduate and undergraduate catalogs at U. T. Dallas as well as mailing and handling charges of \$1 for catalogs mailed in North America and \$5 for catalogs mailed outside North America. A system will be implemented to insure that each newly enrolled student receives one free catalog. If approved, the charges will be implemented beginning with the distribution of the 1986-88 catalogs.

It is further recommended that the U. T. Board of Regents find that these new charges reasonably reflect the cost to U. T. Dallas of the materials and services for which the fees are levied.

BACKGROUND INFORMATION

At the present time, U. T. Dallas has no charge for its graduate and undergraduate catalogs. However, for several years the General Institutional Appropriations for catalog printing and mailing have been supplemented by the Student Services Fee. The supplement was made necessary by the dramatic increases in the cost of printing and mailing. The administration at U. T. Dallas believes that it is inappropriate to continue to supplement catalog production and mailing from this source.

The prices to be charged reflect the estimated cost of production (\$1.20), handling (\$.80), and mail orders (\$1.00 to \$4.75). These estimates are based on current postage rates which vary from \$.70 in North America to \$4.75 outside of North America.

In addition to providing each new student with one free catalog, catalogs will be provided at no charge to community college counselors, admissions officers, and other external users where a charge would be inappropriate.

Approval of these fees is in accordance with Section 54.504 of the Texas Education Code.

Upon Regental approval, the minute order will reflect that the next catalog published will conform to this action.

18. U. T. San Antonio: Recommendation for Approval to Establish Fees for Student Photo Identification Cards Effective Fall Semester 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Wagener's recommendation that the U. T. Board of Regents approve implementation of a \$5 fee for a student photo identification card

and a \$10 replacement charge for a lost card for U. T. San Antonio students. If approved, the charges will be implemented beginning with the Fall Semester 1986.

It is further recommended that the U. T. Board of Regents find that these new charges reasonably reflect the cost to U. T. San Antonio of the materials and services for which the fees are levied.

BACKGROUND INFORMATION

At the present time, U. T. San Antonio students use for identification a portion of the paper fee receipt issued each semester. This form of identification poses several problems. It is easily misplaced, and, because there is no photo attached, its utility as an identification tool is limited. With the completion of residence halls with an attached amenities center, it is becoming increasingly important to verify student status before providing access to certain campus facilities and services. Students at U. T. San Antonio have for several years expressed a desire for plastic photo identification cards which would be used for the library, check cashing privileges, health center privileges, amenities center/swimming pool, dormitory residence student identification, athletic events, physical education and tennis center, and student discounts where applicable.

On April 23, 1986, the Student Representative Assembly passed a resolution endorsing the concept of the plastic photo identification card and asking U. T. San Antonio administration to establish the means for implementing such a program. The proposed charges reasonably reflect the actual cost to the institution of producing the cards and administering the photo identification and replacement systems. Approval of these fees is in accordance with Section 54.504 of the Texas Education Code.

Upon Regental approval, the minute order will reflect that the next catalog published will conform to this action.

19. U. T. Tyler: Recommendation to Establish a Parking Fee Effective with the Fall Semester 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's request that the U. T. Board of Regents approve the establishment of a Parking Fee at U. T. Tyler effective September 1, 1986. All full and part-time students, faculty, and staff who operate or park a motor vehicle on property or streets owned or controlled by the University will be required to register each vehicle with the University Police Department. An annual, non-refundable, fee of \$15 per academic year is proposed, prorated by semester of payment as follows:

Fall Semester	\$15
Spring Semester	10
First Summer Session	5
Second Summer Session	3

Additional vehicles may be registered by paying a \$2 fee for each additional vehicle.

BACKGROUND INFORMATION

The proposed fee should generate \$65,000 in the 1986-87 fiscal year and will be utilized to support street and lot improvements and campus police operations.

The fees are proposed under the authority of the Texas Education Code, Section 51.202(a).

Upon Regental approval, the minute order will reflect that the next appropriate catalog published will conform to this action.

20. U. T. General Academic Institutions: Proposed Nominees to Development Boards and Advisory Councils (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED).--
U. T. Arlington: Development Board and Advisory Councils for the Graduate School of Social Work, School of Architecture and Environmental Design, College of Business Administration, College of Engineering, and School of Nursing;
U. T. Austin: Development Board and Advisory Councils for the School of Architecture Foundation, College of Business Administration Foundation, College of Communication Foundation, College of Education Foundation, College of Engineering Foundation, College of Fine Arts Foundation, Geology Foundation, Graduate School Foundation, Graduate School of Library and Information Science Foundation, College of Liberal Arts Foundation, College of Natural Sciences Foundation, Pharmaceutical Foundation, School of Social Work Foundation, Marine Science Institute, McDonald Observatory and Department of Astronomy Board of Visitors, School of Nursing, and Texas Union;
U. T. Dallas: Development Board and Advisory Councils for the School of Management, Callier Center for Communication Disorders, School of General Studies, School of Arts and Humanities, and School of Social Sciences;
U. T. El Paso: Development Board;
U. T. Permian Basin: Development Board;
U. T. San Antonio: Development Board and College of Business Advisory Council;
U. T. Tyler: Development Board; and
U. T. Institute of Texan Cultures - San Antonio: Development Board.

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of the appropriate chief administrative officer that the U. T. Board of Regents approve the appointments to the development boards and advisory councils of the general academic institutions of The University of Texas System as set forth on Pages AAC 29 - 56. Terms on the development boards and advisory councils expire regularly on August 31 of each year.

In accordance with usual procedures, no publicity will be given to these nominations until the acceptances are received and reported for the record at a subsequent meeting of the U. T. Board of Regents.

THE UNIVERSITY OF TEXAS AT ARLINGTON

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 25

Recommended 25

b. Reappointments

For three-year terms ending 1989

Mr. E. T. Allen, Arlington, Business: Texas Central Inc.
Mr. Bill Bowerman, Arlington, Business: President,
Oil States Industries/LTV Energy Products
Mr. Richard Greene, Arlington, Business: President,
Sunbelt Savings, Arlington
Mr. C. W. Mayfield, Arlington, Business: President,
Mayfield Building Supply Company
Mr. Danny Smith, Arlington, Business: President,
MBank, Arlington
Mr. John T. Stuart, Dallas, Business: Vice-Chairman,
Republic Bank, Dallas

c. New Appointments

None

d. Unfilled Terms

five

Term Expires

(to be determined as filled)

B. Graduate School of Social Work Advisory Council

a. Membership

Authorized 26

Recommended 26

b. Reappointments

None

c. New Appointments

For three-year terms ending 1989

Mr. Earl Shields, Fort Worth, to replace Mr. Larry Eason.
Business: Consultant, National Association of Security
Dealers Automatic Quotas
Mr. John Widner, Fort Worth, to replace Ms. Mamie Ewing.
Business: Executive Director, Day Care Association of
Fort Worth and Tarrant County

d. Unfilled Terms

one
one
five

Term Expires

1987
1988
1989

C. School of Architecture and Environmental Design Advisory Council

a. Membership

Authorized 27

Recommended 27

b. Reappointments

For three-year terms ending 1989

Mr. Bill Booziotis, FAIA, Dallas, Business: Partner,
Thomas, Booziotis & Associates
Mr. David Braden, FAIA, Dallas, Business: Partner,
Dahl, Braden, PTM
Ms. Julia Ousley, Arlington, Business: Architect
Mr. Emery O. Young, Jr., AIA, Fort Worth, Business:
Principal, Emery O. Young & Associates

c. New Appointments

For one-year term ending 1987

Mr. Gene Schrickel, Arlington, to replace Mr. William
Sullivan. Business: Landscape Architect

For two-year term ending 1988

Mr. John Torti, Silver Spring, Maryland, to replace
Mr. Stanley Tigerman. Business: Partner, Cohen, Haft,
Holtz & Kerxton, Architects

For three-year terms ending 1989

Mr. Stuart Dawson, Dallas, to replace Mr. Ed Denny.
Business: Landscape Architect, Sasaki Associates, Inc.
Mr. Mark Dilworth, AIA, Dallas, to replace Mr. William P.
Dunaway. Business: OMNIPLAN
Ms. Carol Hermanovski, Dallas, to replace Mr. Reginald H.
Roberts. Business: Partner, Hermanovski Lauch Design
Mr. Richard Keating, Houston, to replace Mr. Pat Y. Spillman.
Business: Partner, Skidmore Owings & Merrill, Architects
Mr. Lawrence Murphy, West Palm Beach, Florida, to replace
Mr. Thomas Taylor. Business: Attorney

d. Unfilled Terms

Term Expires

None

D. College of Business Administration Advisory Council

a. Membership

Authorized 30

Recommended 30

b. Reappointments

For three-year terms ending 1989

Ms. Dianne Bynum, Dallas, Business: Vice President,
Personnel, The Bloom Company
Mrs. Virginia E. Cook, Dallas, Business: President,
Henry S. Miller Residential Company
Mr. Raymond G. Dickerson, Fort Worth, Business: President,
Citizens National Bank
Mr. Joseph R. Ewen, Jr., Arlington, Business: District
Manager, Southwestern Bell Telephone Company

Mr. Thomas G. Lynch, Dallas, Business: Executive Vice President, Bright Banc Savings Association
 Mr. David Newell, Fort Worth, Business: Partner, Newell and Newell
 Mr. Ronald L. Parrish, Fort Worth, Business: President, InterFirst Bank Fort Worth
 Mr. Don C. Reynolds, Fort Worth, Business: Vice President, E. F. Hutton and Company, Inc.
 Mr. Cary N. Vollintine, Fort Worth, Business: Partner, Arthur Andersen & Company

c. New Appointments

For one-year terms ending 1987

Mr. William S. Banowsky, Dallas, vacancy from unfilled term. Business: President, Gaylord Broadcasting
 Mr. Glen Mason, Dallas, to replace Mr. Eugene B. Peters. Business: Partner, LFWF, Inc., Group

For three-year terms ending 1989

Mr. Steve Dunn, Dallas, to replace Mr. Robert E. Kolba. Business: President, Steve Dunn & Partners, Mechanical Engineers/Building Consultants
 Mr. Richard Fogel, Dallas, to replace Mr. W. Donald Sally. Business: Senior Tax Partner, Jenkins & Gilchrist Law Firm
 Mr. Harold H. Ginsburg, Dallas, to replace Mr. Charles Ferguson. Business: President, Harold H. Ginsburg, Inc.
 Mr. Frank C. McDowell, Houston, to replace Mr. Lee Paulsel. Business: Executive Vice President. Allied BancShares
 Mr. James J. O'Brien, Fort Worth, to replace Mr. Albert H. Cloud, Jr. Business: Managing Partner, Peat, Marwick, Mitchell & Company
 Mr. Stephen P. Tacke, Fort Worth, to replace Mr. Ray E. Wilkin. Business: Partner, Price Waterhouse

d. Unfilled Terms

Term Expires

None

E. College of Engineering Advisory Council

a. Membership

Authorized 26

Recommended 26

b. Reappointments

For three-year terms ending 1989

Mr. Charles A. Anderson, Fort Worth, Business: Vice President, General Dynamics
 Mr. Joe C. Culp, Dallas, Business: President, Rockwell Communication
 Dr. Felix Fenter (Ph.D.), Dallas, Business: Vice President, LTV Aerospace & Defense Company
 Mr. Charles Lynk, Fort Worth, Business: Vice President, Motorola
 Mr. Robert R. Lynn, Fort Worth, Business: Vice President, Bell Helicopter/Textron

c. New Appointments

For two-year terms ending 1988

- Mr. Bruce Cole, San Angelo, vacancy from unfilled term.
Business: Vice President, Networks, General Telephone of the Southwest
- Mr. Jan Collmer, Dallas, vacancy from unfilled term.
Business: President, Collier Semiconductor, Inc.
- Mr. C. R. Farmer, Jr., Dallas, vacancy from unfilled term.
Business: Vice President and General Manager, E-Systems
- Mr. Eric Ross, Richardson, vacancy from unfilled term.
Business: General Manager, Northern Telecom, Inc.
- Mr. William F. Hayes, Dallas, vacancy from unfilled term.
Business: Vice President, Texas Instruments, Inc.

For three-year terms ending 1989

- Mr. William G. Moore, Jr., Dallas, to replace Mr. James R. Lightner. Business: President, Recognition Equipment, Inc.
- Mr. Roger Yandell, Fort Worth, to replace Mr. R. M. Lockerd.
Business: President, Yandell & Hiller
- Mr. Luke Smith, Arlington, vacancy from unfilled term.
Business: Manager, National Semiconductor/Arlington

d. Unfilled Terms	<u>Term Expires</u>
One	1987

F. School of Nursing Advisory Council

a. Membership

Authorized 16 Recommended 16

b. Reappointments

For one-year term ending 1987

- Mrs. Beverly Phillips, Marlin, Business: Private Nursing Practice

For three-year terms ending 1989

- Mr. Dave Bloxom, Sr., Fort Worth, Business: President, Bloxom Building and Steel Supply Company
- Mr. Dan Dipert, Arlington, Business: Owner/Manager, Dan Dipert Travel Service
- Mrs. Byron Searcy, Fort Worth, Business: Housewife and Past President of Junior League
- Mr. Ron Smith, Fort Worth, Business: President, Harris Methodist Health System

c. New Appointments

None

d. Unfilled Terms	<u>Term Expires</u>
One	1989

THE UNIVERSITY OF TEXAS AT AUSTIN

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 35

Recommended 35

b. Reappointments

For three-year terms ending 1989

Senator Lloyd M. Bentsen, Jr., Washington, D.C., Business: U.S. Senator
Mr. C. Fred Chambers, Houston, Business: Chairman of the Board, Chambers Exploration, Incorporated
Mr. B. W. Crain, Longview, Business: Architect
Dr. Peter T. Flawn (Ph.D.), Austin, Business: Vice Chairman, The Rust Group
Mr. Wales H. Madden, Jr., Amarillo, Business: Attorney, Selecman and Madden
Mr. James R. Moffett, New Orleans, Louisiana, Business: Chairman of the Board and Chief Operating Officer, Freeport-McMoRan Incorporated
Mr. Jon P. Newton, Austin, Business: Attorney, Clark, Thomas, Winters & Newton
Mrs. Theodore H. Strauss, Dallas, Business: Public Relations Executive and Civic Leader

c. New Appointments

For three-year terms ending 1989

Mr. Sam Barshop, San Antonio, to replace Mr. C. W. W. Cook. Business: President and Chairman of the Board, LaQuinta Motor Inns, Incorporated
Mrs. Joan Ragsdale Baskin, Midland, to replace Mr. L. L. Colbert. Business: Community Leader
Ms. Barbara Smith Conrad, New York, New York, to replace Mr. Rex G. Baker, Jr. Business: Mezzo-Soprano, Metropolitan Opera
Mr. John W. Fainter, Jr., Austin, to replace Mr. Preston Shirley. Business: Attorney, Reynolds, Allen and Cook Incorporated
Mr. James M. Moroney, Jr., Dallas, to replace Mr. Dan M. Krause. Business: Chairman of the Board and Chief Executive Officer, A. H. Belo Corporation
Mr. Wade Nowlin, Fort Worth, to replace Mr. Hayden W. Head. Business: Savings and Loan Institutions and Investments, Nowlin Mortgage
Mr. James L. Powell, Fort McKavett, to replace Mr. Alan L. Bean. Business: Ranching - Investments
Mario Ramirez, M.D., Rio Grande City, to replace Mr. J. M. McLaughlin. Business: Physician and Community Leader
Mrs. Betty Bentsen Winn, McAllen, to replace Mr. Jack G. Taylor. Business: Civic Leader

d. Unfilled Terms

Term Expires

one

1989

B. School of Architecture Foundation Advisory Council

a. Membership

Authorized 36

Recommended 39

b. Reappointments

For three-year terms ending 1989

Mr. Milton F. Babbitt, San Antonio, Business: President,
Milton Babbitt and Associates
Mrs. George Ann Carter, Fort Worth, Business: Civic
Leader
Mr. David Graeber, Austin, Business: Architect, Graeber,
Simmons and Cowan
Mrs. Alfred Ashbrook King, Austin, Business: Civic Leader
Mr. Pat Y. Spillman, Dallas, Business: President, F and S
Partners, Incorporated
Mr. Gifford Touchstone, Dallas, Business: Touchstone and
Sowden, Realtors

c. New Appointments

For one-year terms ending 1987

Mr. Joseph W. Baxter, Houston, to replace Mrs. John H.
Justin, Jr. Business: Contractor, Baxter Construction
Company
Mr. Scott Mann, Austin, vacancy from increased membership.
Business: Chairman of the Board, CreditBanc Savings
Association

For two-year terms ending 1988

Ms. Carolyn Brooks, Washington, D.C., vacancy from
unfilled term. Business: Interior Designer, ISD,
Incorporated
Mrs. Beatrice Menne Haggerty, Dallas, vacancy from
unfilled term. Business: Civic Leader
Mrs. Stanley Marcus, Dallas, vacancy from unfilled term.
Business: Civic Leader
Mr. James A. Reichert, Houston, vacancy from unfilled
term. Business: Trustee, The West Foundation
Mr. Frank Welch, Dallas, vacancy from increased
membership. Business: Architect, Frank Welch
Associates

For three-year terms ending 1989

Mr. Douglas J. Cardinal, Ottawa, Ontario, Canada, to
replace Mr. B. W. Crain. Business: Private Architect
Mr. John Carpenter, III, Dallas, to replace Mr. Howard R.
Barr. Business: President, Southland Financial
Corporation
Mr. Bob J. Crow, Fort Worth, to replace Mr. Robert W.
Cutler. Business: Executive Director, Amon G. Carter
Foundation
Mr. William C. Duvall, Dallas, vacancy from increased
membership. Business: President, Lincoln Property
Company
Mr. Stan Haas, Dallas, to replace Mr. Robert D. Garland,
Jr. Business: Architect, Haas, Good and Fulton
Mr. Richard Keating, Houston, to replace Ms. Linda Pinto.
Business: Partner, Skidmore, Owings and Merrill
Mr. Boone Powell, San Antonio, to replace Mr. Phillip F.
Templeton. Business: Architect, Ford, Powell and
Carson

d. Unfilled Terms

Term Expires

none

c. College of Business Administration Foundation Advisory Council

a. Membership

Authorized 43

Recommended 44

b. Reappointments

For three-year terms ending 1989

Mr. Robert Alpert, Dallas, Business: Chairman and Chief Executive Officer, Alpert Corporation

Mr. Stephen P. Ballantyne, San Antonio, Business: Attorney, Ballantyne Oil and Gas, Incorporated

Mr. Sam Barshop, San Antonio, Business: Chairman of the Board, La Quinta Motor Inns

Mrs. Lucy Billingsley, Dallas, Business: Chief Operating Officer, Dallas Market Center

Mr. Robert M. Duffey, Jr., Brownsville, Business: Chairman, Texas Commerce Bank

Mr. John W. Fainter, Jr., Austin, Business: Attorney, Reynolds, Allen and Cook

Mr. Edwin M. Gale, Beaumont, Business: Private Investments

Mr. H. B. (Hank) Harkins, Alice, Business: Chairman, Harkins and Company

Mr. W. Baker McAdams, Houston, Business: Partner, Arthur Andersen and Company

Mr. Michael A. Myers, Dallas, Business: President, Myers Financial Corporation

Mr. Robert F. Parker, Houston, Business: Chairman and President, Guardian Savings

Mr. Daniel B. Stuart, Dallas, Business: Private Investments

Mr. Jack G. Taylor, Austin, Business: Private Investments

Mr. Joe C. Thompson, Jr., Dallas, Business: Senior Executive Vice President, The Southland Corporation

c. New Appointments

For three-year terms ending 1989

Mr. James J. Forese, Armonk, New York, to replace Mr. Richard M. Kleberg III. Business: Vice President and Controller, IBM Corporation

Mr. Clifford J. Grum, Diboll, vacancy from increased membership. Business: Chief Executive Officer, Temple Inland Steel

Mr. John B. Lahourcade, San Antonio, vacancy from unfilled term. Business: Chief Executive Officer, Luby's Cafeterias, Incorporated

Mr. Glen E. Roney, McAllen, to replace Mr. Corbin J. Robertson, Jr. Business: Chairman and Chief Executive Officer, Texas Regional Bancshares

d. Unfilled Terms

Term Expires

None

D. College of Communication Foundation Advisory Council

a. Membership

Authorized 35

Recommended 35

b. Reappointments

For three-year terms ending 1989

Mr. James K. Batten, Miami, Florida, Business: President, Knight-Ridder Newspapers, Incorporated
Mr. Frank A. Bennack, Jr., New York, New York, Business: President and Chief Executive Officer, Hearst Corporation
Mr. H. J. (Jerry) Dalton, Jr., Dallas, Business: Manager, Corporate Communications
Mr. Arthur Denny Scott, Pittsburgh, Pennsylvania, Business: Vice President, Human Resources, Mellon Bank N.A.
Mr. Vincent E. Spezzano, Rochester, New York, Business: President and Publisher, Gannett Rochester Newspapers
Mr. George Watson, Washington, D.C., Business: Vice President and Bureau Chief, ABC News
Mr. Michael A. Zinberg, Beverly Hills, California, Business: President and Executive Producer, American Flyer Films and TV, Ltd.

c. New Appointments

For three-year terms ending 1989

Mr. Richard Fizdale, Chicago, Illinois, to replace Dr. Patricia R. Cole (Ph.D.). Business: President, Leo Burnett Company
Mr. William J. Hindman, Dallas, vacancy from unfilled term. Business: Vice President, Public Relations, AT&T
Mr. Ronald Johnson, Houston, to replace Mr. Bill Moyers. Business: Manager, Corporate Public Relations, Shell Oil Company
Mr. Burl Osborne, Dallas, to replace Mr. John A. Rector. Business: President, Dallas Morning News

d. Unfilled Terms

Term Expires

one

1989

E. College of Education Foundation Advisory Council

a. Membership

Authorized 31

Recommended 31

b. Reappointments

For three-year terms ending 1989

Mrs. Ada C. Anderson, Austin, Business: Real Estate, Anderson and Wormley
Mr. Raul A. Besteiro, Brownsville, Business: School Superintendent, Brownsville Independent School District
Dr. Eli Douglas (Ph.D.), Garland, Business: Educational Consultant
Mrs. Louise G. Spence Griffeth, Dallas, Business: Civic Leader

Mr. M. K. Hage, Jr., Austin, Business: Private Contractor, Real Estate
Mrs. John L. Hill, Austin, Business: Civic Leader
Mrs. Patricia E. Bell Hunter, Austin, Business: Civic Leader
Mrs. Anne Rogers Mauzy, Dallas, Business: Civic Leader
Mrs. Ann C. Meier, Hurst, Business: Civic Leader
Mrs. Sybil Seidel, Dallas, Business: Civic Leader
Mrs. Robert Wilkes, Austin, Business: Civic Leader
Mr. Hugh O. Wolfe, Stephenville, Business: Private Investor

c. New Appointments

For two-year terms ending 1988

Mrs. Marshall Steves, San Antonio, vacancy from unfilled term. Business: Civic Leader
Mr. Peter Suarez, Austin, vacancy from unfilled term. Business: Community Relations Manager, IBM Corporation

d. Unfilled Terms

Term Expires

none

F. College of Engineering Foundation Advisory Council

a. Membership

Authorized 45

Recommended 45

b. Reappointments

For three-year terms ending 1989

Mr. Bennie L. Franks, Dallas, Business: Vice President, Production Operations, Sun Exploration and Production Company
Mr. Henry Groppe, Houston, Business: Partner, Groppe, Long and Littell
Mr. Arthur H. Hausman, Redwood City, California, Business: Chairman of the Board, Ampex Corporation
Mr. Jack H. Herring, Austin, Business: Private Investor
Admiral Bobby R. Inman, Austin, Business: USN Retired, President and Chief Executive Officer, Microelectronics and Computer Technology Corporation
Mr. Robert L. Marwill, Irving, Business: The Cadence Group, Incorporated
Mr. Liston M. Rice, Jr., Dallas, Business: Vice President, Texas Instruments, Incorporated

c. New Appointments

For three-year terms ending 1989

Mr. Charles A. Anderson, Fort Worth, to replace Mr. Louis A. Beecherl, Jr. Business: Vice President, Research and Engineering, Fort Worth Division, General Dynamics Corporation
Mr. J. E. Barnes, Tulsa, Oklahoma, to replace Mr. T. Brockett Hudson. Business: President and Chief Executive Officer, Mapco, Incorporated
Mr. Earl N. Brasfield, St. Louis, Missouri, to replace Mr. Robert L. Kirk. Business: Vice President, Monsanto Fibers and Intermediates Company

Dr. E. Oran Brigham, Jr. (Ph.D.), Santa Clara, California, to replace Mr. Robert L. Parker, Jr. Business: Chairman of the Board and President, Avantek, Incorporated

Mr. Raymond V. Cruce, Houston, to replace Mr. Don A. Rikard. Business: Chairman of the Board and Chief Executive Officer, Ryder Scott Company

Mr. Malcolm R. Currie, Los Angeles, California, to replace Mr. William L. Adams. Business: Executive Vice President, Hughes Aircraft Company, and President, Delco Electronics Corporation

Dr. Maxime A. Faget (Ph.D.), Webster, to replace Mr. John F. Bookout. Business: President and Chief Executive Officer, Space Industries, Incorporated

Mr. Jerry Farrington, Dallas, to replace Mr. Robert A. Fuhrman. Business: President, Texas Utilities Company

Mr. E. J. Grivetti, Houston, to replace Mr. F. E. Ellis. Business: Executive Vice President, Conoco Incorporated, Exploration and Production, North America

Mr. Dennis R. Hendrix, Houston, vacancy from unfilled term. Business: President and Chief Operating Officer, Texas Eastern Corporation

Mr. James A. Middleton, Dallas, vacancy from unfilled term. Business: President, ARCO Oil and Gas Company

Mr. Bill M. Thompson, Bartlesville, Oklahoma, vacancy from unfilled term. Business: Vice President, Phillips Petroleum Company

d. Unfilled Terms

Term Expires

none

G. College of Fine Arts Foundation Advisory Council

a. Membership

Authorized 35

Recommended 35

b. Reappointments

For three-year terms ending 1989

Mrs. Joan Ragsdale Baskin, Midland, Business: Civic and Cultural Leader

Mrs. Al Biedenharn, San Antonio, Business: Civic and Cultural Leader

Mrs. James R. Blake, Fort Worth, Business: Civic and Cultural Leader

Mrs. James Brennand, El Paso, Business: Civic and Cultural Leader

Mrs. Jack Rust Crosby, Austin, Business: Civic and Cultural Leader

Mrs. Maline Gilbert McCalla, Austin, Business: Civic and Cultural Leader

c. New Appointments

For two-year term ending 1988

Mrs. Harvey Herd, Midland, to replace Mrs. Arthur A. Seeligson, Jr. Business: Civic and Cultural Leader

For three-year terms ending 1989

Mrs. Phil Bolin, Wichita Falls, to replace Mrs. B. W. Crain. Business: Civic and Cultural Leader
Ms. Barbara Conrad, Bronx, New York, to replace Mr. Jack G. Taylor. Business: Mezzo-Soprano, Metropolitan Opera
Mr. Kerry O'Quinn, New York, New York, to replace Mrs. Katherine B. Reynolds. Business: Artist, O'Quinn Productions, Incorporated
Mrs. D. J. Sibley, Jr., Austin, to replace Mrs. John Warner Duckett. Business: Civic and Cultural Leader
Mrs. C. Dickie Williamson, Fort Worth, to replace Mrs. Edward R. Hudson, Jr. Business: Civic and Cultural Leader

d. Unfilled Terms	<u>Term Expires</u>
one	1987
one	1988

H. Geology Foundation Advisory Council

a. Membership

Authorized <u>38</u>	Recommended <u>38</u>
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b. Reappointments

For three-year terms ending 1989

Mr. Eugene L. Ames, Jr., San Antonio, Business: President, Venus Oil Company
Mr. L. Decker Dawson, Midland, Business: President, Dawson Geophysical Company
Mr. Charles J. Hooper, Houston, Business: President, Texana Petroleum Corporation
Mr. John A. Jackson, Dallas, Business: President, Katie Petroleum Company
Mr. Howard R. Lowe, Coupeville, Washington, Business: Private Consultant
Mr. Ken G. Martin, Mandeville, Louisiana, Business: President, Martin Energy Company
Mr. Judd H. Oualline, Houston, Business: Private Consultant
Dr. Philip T. Oxley (Ph.D.), Houston, Business: President, Exploration and Production, Tenneco Oil
Mr. D. B. Sheffield, Houston, Business: President, Geosource, Incorporated

c. New Appointments

For three-year terms ending 1989

Dr. David S. Birsa (Ph.D.), La Habra, California, to replace Mr. D. Gale Reese. Business: Manager, Geology Division, Chevron Oil Field Research Company
Mr. David S. Holland, Houston, to replace Mr. Fred L. Oliver. Business: President and Chief Executive, Pennzoil Exploration and Production Company

d. Unfilled Terms	<u>Term Expires</u>
two	1987
one	1988

I. Graduate School Foundation Advisory Council

This advisory council was approved by the Board of Regents on March 26, 1976, and nominees to membership have not yet been submitted for Regental approval.

J. Graduate School of Library and Information Science Foundation Advisory Council

a. Membership

Authorized 11

Recommended 11

b. Reappointments

For three-year terms ending 1989

Mrs. Betty Anderson, Lubbock, Business: Civic Leader
Dr. Mary R. Boyvey (Ph.D.), Austin, Business: Director of
Instructional Technology and Media, Texas Education
Agency
Ms. Connie Moore, Austin, Business: Civic Leader

c. New Appointments

For two-year term ending 1988

Governor Bill Daniel, Liberty, to replace Mrs. Mari
Michener. Business: Attorney and Rancher

d. Unfilled Terms

Term Expires

one

1987

K. College of Liberal Arts Foundation Advisory Council

a. Membership

Authorized 36

Recommended 36

b. Reappointments

For three-year terms ending 1989

Mr. R. Gordon Appleman, Fort Worth, Business: Attorney,
Kelly, Appleman, Hart and Hallman
Mrs. William P. Clements, Jr., Dallas, Business: Civic
Leader
Mrs. Joanne M. Glass, Tyler, Business: Civic Leader
Mr. Harvey Tevis Herd, Midland, Business: Attorney,
Cotton, Bledsoe, Tighe and Dawson
Mr. Luther Daniel Prescott, Fort Worth, Business:
Vice President, Champlin Oil
David George Shulman, M.D., San Antonio, Business:
Ophthalmologist

c. New Appointments

For three-year terms ending 1989

- Mrs. Peggy Patillo Beckham, Abilene, to replace Mrs. John S. Cargile. Business: Civic Leader
- Mrs. M. Robert Blakeney, Dallas, vacancy from unfilled term. Business: Civic Leader
- Ms. Michelle Kay Brock, Midland, to replace Mr. Kenneth D. Carr. Business: Petroleum Land Management, G. W. Brock, Incorporated
- Mr. Creekmore Fath, Austin, to replace Mrs. James L. Gallagher. Business: Attorney, Retired
- Mr. R. Brian Haymon, Baton Rouge, Louisiana, to replace Mrs. Wales H. Madden, Jr. Business: Attorney, Haymon and May, Ltd.
- Mr. John Mark Metts, Houston, to replace Mr. Sterling Steves. Business: Attorney, Vinson and Elkins

d. Unfilled Terms

Term Expires

one	1987
two	1988

L. College of Natural Sciences Foundation Advisory Council

a. Membership

Authorized 35

Recommended 35

b. Reappointments

For three-year terms ending 1989

- Denton A. Cooley, M.D., Houston, Business: Cardiovascular Surgeon, Cardiovascular Associates
- Mr. James D. Dannenbaum, Houston, Business: Dannenbaum Engineering Corporation
- Mr. Rom Rhone, Houston, Business: Management Consultant
- Mr. James M. Vaughn, Jr., Houston, Business: Independent Investor

c. New Appointments

For three-year terms ending 1989

- Mr. Robert Daniel Burck, Austin, to replace Robert W. Kimbro, M.D. Business: President, Bolck Watne Texas, Incorporated
- Mr. Tom E. Fairey, Austin, to replace Percy R. (Bud) Turner, D.V.M. Business: President, Tom Fairey Company
- Mr. Martin Goland, San Antonio, to replace Mr. David I. J. Wang. Business: President, Southwest Research Institute
- Dr. Norman Hackerman (Ph.D.), Austin, vacancy from unfilled term. Business: Professor Emeritus, Rice University and The University of Texas at Austin
- Mrs. Amy Johnson McLaughlin, San Angelo, vacancy from unfilled term. Business: Civic Leader
- Mr. Randall Meyer, Houston, vacancy from unfilled term. Business: President, Exxon Company, U.S.A.
- Mrs. Sonia E. Wilson, Austin, vacancy from unfilled term. Business: Professional Volunteer

d. Unfilled Terms

Term Expires

none

M. Pharmaceutical Foundation Advisory Council

a. Membership

Authorized 29

Recommended 29

b. Reappointments

For three-year terms ending 1989

Mr. J. Keith Hanchey, Dallas, Business: President,
Pharmacy Practice Group, Inc.
Mr. Lonnie F. Hollingsworth, Lubbock, Business:
President, L and H Pharmacies, Incorporated
Dr. William J. Sheffield (Ph.D.), Round Rock, Business:
Professor Emeritus
Mr. Coulter R. Sublett, Dallas, Business: Retired
Executive of Eli Lilly and Company

c. New Appointments

For three-year terms ending 1989

Mr. Robert Coopman, San Antonio, to replace Mr. James A.
Johnson. Business: Vice President of Specialty
Departments, H.E.B. Grocery Company
Mr. William F. Lalor, Wilmington, Delaware, to replace Dr.
Gerald Hecht. Business: Vice President of Sales,
Marketing and Medical Affairs, Stuart Pharmaceuticals
Mr. Joseph A. Oddis, Bethesda, Maryland, to replace Mr.
Joe H. Arnette. Business: Executive Vice President,
American Society of Hospital Pharmacists

d. Unfilled Terms

Term Expires

one

1988

N. School of Social Work Foundation Advisory Council

a. Membership

Authorized 27

Recommended 28

b. Reappointments

For three-year terms ending 1989

Mr. Tom Backus, Austin, Business: IBM Faculty Loan, IBM
Corporation
Mr. David R. Lambert, Dallas, Business: Senior Vice
President, Schneider, Bernet and Hickman, Incorporated
Mr. William G. Marquardt, Fort Worth, Business:
President, Texas Electric Services Company
Mrs. Sally Freeman McKenzie, Dallas, Business: Civic
Leader
Dr. M. Marjorie Menefee (Ph.D.), Austin, Business:
Clinical and Counseling Psychology
Ms. Ann Quinn, Fort Worth, Business: Vice President and
Director of Marketing, Texas American Bancshares,
Incorporated
Mr. Victor W. Ravel, Austin, Business: Attorney and Civic
Leader
Ms. Marilla B. Wood, Austin, Business: Vice President,
Community Affairs, Texas Commerce Bank of Austin

c. New Appointments

For one-year term ending 1987

Mrs. Beverly Griffith, Austin, to replace The Honorable
Carol Higley Lane. Business: Vice President,
InterFirst Bank of Austin

For two-year terms ending 1988

Mrs. Bettie Girling, Austin, to replace Ms. Joan Harmon.
Business: Director of Professional Services, Girling
Health Care, Incorporation
Mr. Russell Smith, Austin, vacancy from unfilled term.
Business: Human Resources Manager, 3M Corporation

For three-year terms ending 1989

Ms. Patricia Bailey, Dallas, to replace Ms. Judith P.
Smith. Business: District Manager, Southwestern Bell
Telephone Company

Mrs. Robert Theodore Enloe, III, Dallas, vacancy from
increased membership. Business: President, Enloe and
Summers Incorporated

Mrs. Eleanor Selig, Seguin, vacancy from unfilled term.
Business: Volunteer and Consultant

d. Unfilled Terms

Term Expires

none

O. Marine Science Institute Advisory Council

a. Membership

Authorized 35

Recommended 35

b. Reappointments

For three-year terms ending 1989

Mrs. John B. Armstrong, Kingsville, Business: Rancher
Mr. Perry R. Bass, Fort Worth, Business: Private Investor
Mr. Louis Castelli, Dallas, Business: President,
Moore-McCormack Energy, Incorporated
Mr. Leroy G. Denman, San Antonio, Business: Attorney,
Denman, Franklin and Denman
Mr. John C. Holmgreen, San Antonio, Business: President,
Alamo Iron Works
Mr. Richard King III, Corpus Christi, Business: Chairman,
Corpus Christi National Bank
Mrs. Edith McAllister, San Antonio, Business: Civic
Leader
Dr. William C. Moyer (Ph.D.), California, Maryland,
Business: Vice President, Tracor, Incorporated
Mr. Arthur A. Seeligson, San Antonio, Vice Chairman,
National Bank of Commerce
Mr. Don E. Weber, San Antonio, Private Investor

c. New Appointments

For three-year terms ending 1989

Mr. Edward R. Hudson, Jr., Fort Worth, to replace Mr. Edward H. Harte. Business: Independent Oil
Mr. Frederick M. Smith, Dallas, vacancy from unfilled term. Business: Real Estate, Smith Allen

d. Unfilled Terms

Term Expires

two 1987
three 1988

P. McDonald Observatory and Department of Astronomy Board of Visitors

a. Membership

Authorized 35 Recommended 35

b. Reappointments

For three-year terms ending 1989

Mr. William B. Blakenore II, Midland, Business: Rancher
Mr. George E. Christian, Austin, Business: Public Relations, George E. Christian Incorporated
Mr. John T. Stuart III, Dallas, Business: Vice President, RepublicBank Dallas
The Honorable John Wildenthal, Houston, Business: Municipal Judge

c. New Appointments

For two-year term ending 1988

Mr. Gail Whitcomb, Houston, vacancy from unfilled term. Business: Attorney

For three-year terms ending 1989

Mr. Z. D. Bonner, San Antonio, to replace Dr. Robert V. West, Jr. (Ph.D.). Business: Vice Chairman, Board of Directors, Tesoro Petroleum Corporation
Mr. Fred Goetting, San Antonio, to replace Dr. Roland K. Blumberg (Ph.D.). Business: Engineering Consultant, Goetting and Associates
Mr. Sam Dunnam, Austin, to replace Mr. Richard W. McKinney. Business: President, The Dunnam Company
Mr. Morgan Jones, Abilene, to replace Mr. Wales H. Madden, Jr. Business: Retired
Mr. Robert Jorrie, San Antonio, to replace Mr. Joe J. King. Business: Attorney, Robert Jorrie Realtors
Mr. Billy Shurley, Marfa, to replace Mr. Marion T. Key. Business: Rancher
Mr. C. Lee Walton, Dallas, to replace Mr. Ardon B. Judd. Business: Director, McKinsey and Company, Incorporated

d. Unfilled Terms

Term Expires

none

Q. School of Nursing Advisory Council

a. Membership

Authorized 25

Recommended 27

b. Reappointments

For three-year terms ending 1989

Mrs. Bob G. (Ruth) Bailey, Abilene, Business: Community Service

Mrs. Martha Miller Coons, Austin, Business: Community Service

Mr. David T. Davenport, Austin, Business: President, National Bank of Texas

Mr. Paul C. Jackson, Austin, Business: President, Medical Personnel Pool

Mrs. Janie Julian, Austin, Business: Community Service

Dr. Mabel Wandelt (Ph.D.), Austin, Business: Professor Emeritus, The University of Texas at Austin, School of Nursing

c. New Appointments

For three-year terms ending 1989

Joseph M. Abell, Jr., M.D., Austin, to replace Frank Bryant, Jr., M.D. Business: Orthopedic Surgeon, Austin Orthopedic Clinic

Mrs. Dolores M. Alford, Dallas, to replace Max E. Johnson, M.D. Business: Gerontic Nursing Consultant, Nursing Associates

Mrs. Morris Atlas, McAllen, to replace Sister Mary Rose McPhee. Business: Community Service

Mr. Hector de Leon, Austin, to replace Mr. Earl E. Walker. Business: Attorney, De Leon, Boggins, and Cain

Mr. David McWilliams, Austin, to replace Mrs. Velda Wyche. Business: President, Kallestad Laboratories, Inc.

Henry Renfert, Jr., M.D., Austin, vacancy from increased membership. Business: Physician, Austin Diagnostic Clinic

Mr. Dell M. Sheftall, Jr., Austin, vacancy from increased membership. Business: The Sheftall Company

c. Unfilled Terms

Term Expires

none

R. Texas Union Foundation Advisory Council

a. Membership

Authorized 15

Recommended 15

b. Reappointments

For three-year terms ending 1989

Ms. Linda Leucher Addison, Houston, Business: Attorney, Fulbright and Jaworski

Mr. Lawrence D. Cobb, Austin, Business: Attorney, Bracewell and Patterson

Mr. Gary M. Polland, Houston, Business: Attorney, Hiller, Cornfeld and Falik

c. New Appointments

For three-year term ending 1989

Ms. Marolyn W. Stubblefield, San Antonio, vacancy from unfilled term. Business: Psychologist, Heard, Goggan, Blair, Williams, and Harrison

d. Unfilled terms

Term Expires

none

THE UNIVERSITY OF TEXAS AT DALLAS

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized: 28

Recommended: 34

b. Reappointments

For three-year terms ending 1989

Mrs. Bruce Calder, Dallas, Business: Investments.

Mrs. J. E. Henry, Richardson, Business: Investments.

Mr. Jack B. Jackson, Richardson: Investments.

Mr. George W. Jalonick IV, Dallas, Business: President, Adam Whitney, Inc.

Mr. Michael Kinsey, Dallas, Business: Director of Communications and Public Affairs, Dresser Industries, Inc.

Mr. Mike A. Myers, Dallas, Business: President, Myers Financial Corporation.

Mr. Hugh G. Robinson, Dallas, Business: President, CityPlace Development Corporation.

Mr. James P. Sheehan, Dallas, Business: Executive Vice President and Chief Financial Officer, A. H. Belo Corporation.

Mrs. Theodore H. Strauss, Dallas, Business: Mayor Pro-Tem, City Council, City of Dallas.

c. New Appointments

For one-year terms ending 1987

Dr. Andrew R. Cecil, Dallas, to replace Mr. Arthur L. Gonzales. Business: Chancellor Emeritus, Southwestern Legal Foundation.

Mrs. Dorothy Griffin, Plano, to replace Mr. William G. Moore, Jr. Business: Civic Leader.

Dr. James E. Mitchell, Plano, vacancy from unfilled term. Business: Deputy General Manager, Reservoir Research, ARCO Resources Technology.

Mr. A. Starke Taylor, Dallas, vacancy from unfilled term. Business: Mayor, City of Dallas.

For two-year terms ending 1988

Mr. Hill Feinberg, Dallas, vacancy from unfilled term. Business: Managing Director, Bear, Stearns.

Mr. Robert Hauptfuhrer, Dallas, vacancy from unfilled term. Business: President, Sun Exploration and Production Company.

Mr. Harvey Mitchell, Dallas, vacancy from increased membership. Business: Chairman and Chief Executive Officer, InterFirst Bank Dallas.

Mr. William T. Solomon, Dallas, vacancy from increased membership. Business: President and Chief Executive Officer, Austin Industries, Inc.

For three-year terms ending 1989

Mr. Bruce Calder, Dallas, vacancy from increased membership. Business: Owner, Bruce Calder, Inc.

Mr. W. E. Cooper, Dallas, vacancy from increased membership. Business: Owner, W. E. Cooper Investments.

d. Unfilled Terms	<u>Term Expires</u>
Two	1987

B. Advisory Council for the School of Management

a. Membership

Authorized: 34 Recommended: 42

b. Reappointments

For one-year terms ending 1987

Mr. Richard I. Galland, Dallas, Business: Attorney, Jones, Day & Pogue.

Mr. John W. Norris, Jr., Dallas, Business: President and Chief Executive Officer, Lennox Industries, Inc.

Mr. Thomas G. Plaskett, Dallas, Business: Senior Vice President for Marketing, American Airlines.

For three-year terms ending 1989

Mr. Richard W. Fisher, Dallas, Business: Manager, Brown Brothers Harriman.

Mr. James B. Gardner, Dallas, Business: President, MBank Dallas.

Mr. George H. Lang III, Dallas, Business: Chairman and Chief Executive Officer, The GELA Companies.

Mr. John T. Stuart III, Dallas, Business: Vice Chairman, RepublicBank Dallas.

c. New Appointments

For one-year term ending 1987

Mr. C. Anthony Wainwright, Dallas, vacancy from increased membership. Business: President, The Bloom Companies.

For two-year terms ending 1988

- Mr. Gilbert H. Andres, Dallas, vacancy from unfilled term. Business: Executive Vice-President, HCB Contractors.
- Mr. Harry B. Bartley, Dallas, vacancy from unfilled term. Business: President, Celanese Chemical Company.
- Mr. Charles M. Best, Dallas, vacancy from unfilled term. Business: First Vice President & Manager, Drexel Burnham Lambert, Inc.
- Mr. Robert H. Boykin, Dallas, vacancy from unfilled term. Business: President, Federal Reserve Bank of Dallas.
- Mr. Robert W. Cannon, Dallas, vacancy from unfilled term. Business: Executive Vice-President for Petroleum, W. R. Grace & Company.
- Mr. Berry Cash, Dallas, vacancy from unfilled term. Business: Partner, Berry Cash Southwest.
- Mr. Ray Johnson, Dallas, vacancy from increased membership. Business: President, Caltex Petroleum.
- Mr. Alan B. Lerner, Dallas, vacancy from unfilled term. Business: Senior Executive Vice-President, The Associates Corporation of North America.
- Mr. L. G. Lesniak, Dallas, vacancy from unfilled term. Business: Vice President & Area Manager, IBM Corp.
- Mr. Richard F. Mitchell, Irving, vacancy from unfilled term. Business: Senior Vice-President for Finance, Zale Corporation.
- Mr. Robert W. Slater, Dallas, vacancy from unfilled term. Business: Managing Director, Spencer Stuart & Associates.

For three-year terms ending 1989

- Mr. Charles Anderson, Dallas, to replace Mr. Edward C. Nash, Jr. Business: City Manager, City of Dallas.
- Mr. John D. Beletic, Richardson, to replace Mr. Fergus J. Walker. Business: Senior Vice President - Operations and Chief Financial Officer, VMX, Incorporated.
- Mr. Peter O. Boylan, Dallas, vacancy from unfilled term. Business: Chairman of the Board, The Boylan Company.
- Mr. James F. Gero, Dallas, vacancy from unfilled term. Business: President and Chief Executive Officer, Varo, Incorporated.
- Mr. Arthur L. Gonzales, Dallas, vacancy from unfilled term. Business: President, MeraBank - Texas Division.
- Mr. William A. Grant, Dallas, vacancy from increased membership. Business: Managing Partner, Arthur Young & Company.
- Mr. Edwin L. Harper, Dallas, vacancy from increased membership. Business: Executive Vice President, The Dallas Corporation.
- Mr. Thomas F. Lysaught, Dallas, vacancy from increased membership. Business: President, GTE Directories.
- Mr. Thomas McCartin, Dallas, vacancy from unfilled term. Business: President, Criswell Marketing Company.
- Ms. Nancy Harvey Steorts, Dallas, vacancy from unfilled term. Business: President, Dallas Citizens Council.

d.	Unfilled Terms	<u>Term Expires</u>
	Two	1987
	Three	1988

C. Advisory Council for the Callier Center for Communication Disorders

a. Membership

Authorized: 30 Recommended: 30

b. Reappointments

For three-year terms ending 1989

Mr. Bennett Cullum, Dallas, Business: Vice President - Operations and General Counsel, Elm Development Company.
 Mr. Sol Goodell, Dallas, Business: Attorney, Thompson and Knight.
 Mr. J. E. Jonsson, Dallas, Business: Retired Executive.
 Mr. Robert Neely, Dallas, Business: Executive Vice President, Transland Management Corporation.
 Mr. Pat Y. Spillman, Dallas, Business: Partner, Fisher and Spillman Architects, Inc.

c. New Appointments

For three-year terms ending 1989

Ludwig A. Michael, M.D., Dallas, to replace Mr. Jerry S. Farrington. Business: Physician.
 Mrs. Doreen Cunningham, Dallas, to replace Mr. E. Ray Hutchison. Business: Retired.

d.	Unfilled Terms	<u>Term Expires</u>
	Four	1987
	Nine	1988
	One	1989

D. Advisory Council for the School of General Studies

a. Membership

Authorized: 25 Recommended: 25

b. Reappointments

For three-year terms ending 1989

Mr. Roy E. Dulak, Dallas, Business: Consultant, Hillcrest Foundation.
 Mr. David Kaplan, Richardson, Business: Owner, Sun Rexall Drugs.
 Mr. Ernest H. Randall, Jr., Richardson, Business: Executive Vice President, The Vantage Companies.

Mr. J. H. Rawles, Richardson, Business: Owner,
Rawles Wholesale Lumber.
Mrs. Julius Wolfram, Dallas, Business: Civic
Leader.

c. New Appointments

For three year terms ending 1989

Ms. Lorraine Kaas, Dallas, vacancy from unfilled
Term. Business: Manager, Employee
Relations/Administration, Mitsubishi
Aircraft International, Inc.

Mr. Gene Ramsey, Plano, to replace Arnold H.
Kassanoff, M.D. Business: President, Plano
Chamber of Commerce.

Mr. Mark Rigg, Dallas, to replace Mr. Bob Ray
Sanders. Business: Vice President,
Human Resources, Southland Corporation.

Mr. Fredrick H. Stern, Dallas, to replace Reverend
Louis Saunders. Business: Vice President -
Corporate Communications, Associates Corporation
of North America.

d. Unfilled Terms

Term Expires

None

None

E. Advisory Council for the School of Arts and Humanities

a. Membership

Authorized: 25

Recommended: 25

b. Reappointments

None

c. New Appointments

For one-year terms ending 1987

Mr. Brinton Coxe, Dallas, vacancy from unfilled
term. Business: Vice President, Mobil Oil.

Mrs. Brinton Coxe, Dallas, vacancy from unfilled
term. Business: Civic Leader.

For two-year terms ending 1988

Dr. Donald Cowan (Ph.D.), Dallas, vacancy from
unfilled term. Business: Co-Founder,
Dallas Institute of Humanities and Culture.

Dr. Louise Cowan (Ph.D.), Dallas, vacancy from
unfilled term. Business: Co-Founder, Dallas
Institute of Humanities and Culture.

Robert Page, M.D., Dallas, vacancy from unfilled
term. Business: Physician.

Mrs. Robert Page, Dallas, vacancy from unfilled
term. Business: Photographer.

For three-year terms ending 1989

Mr. George W. Jalonick IV, Dallas, to replace Mr. Jac Alder. Business: President, Adam Whitney, Inc.

Mr. Philip R. Jonsson, Dallas, to replace Mr. Plato Karayanis. Business: President, Signal Media Corporation.

Mr. Earl O. Latimer II, Dallas, vacancy from unfilled term. Business: Attorney, The Monitor Group.

Mr. James McCormick, Dallas, vacancy from unfilled term. Business: Chief Financial Advisor, Eppler, Guerin and Turner.

Mrs. Joyce Meier, Dallas, vacancy from unfilled term. Business: Civic Leader.

Mrs. Henry S. Miller, Jr., Dallas, vacancy from unfilled term. Business: Civic Leader.

Mr. Harry Parker, Dallas, vacancy from unfilled term. Business: Director, Dallas Museum of Art.

Ms. Donna Rhein, Dallas, vacancy from unfilled term. Business: Professor, Dallas Institute of Humanities and Culture.

d.	Unfilled Terms	<u>Term Expires</u>
	Seven	1987
	Three	1988
	One	1989

F. Advisory Council for the School of Social Sciences

a. Membership

Authorized: 25

Recommended: 25

b. Reappointments

For three-year terms ending 1989

Mr. Jeremy Halbriech, Dallas, Business: Senior Vice President, Dallas Morning News.

Mr. Ray Nasher, Dallas, Business: President, The Raymond D. Nasher Company.

Mr. Lee Simpson, Dallas, Business: Attorney, Wald, Harkrader and Ross.

Mr. Forrest Smith, Dallas, Business: President, Dallas Chamber of Commerce.

c. New Appointments

For three-year term ending 1989

Ms. Carolyn M. Gilbert, Dallas, vacancy from unfilled term. Business: Executive Director, Dallas Alliance.

d.	Unfilled Terms	<u>Term Expires</u>
	One	1987
	Three	1988
	Three	1989

THE UNIVERSITY OF TEXAS AT EL PASO

Recommended Appointments to Membership

Development Board

a. Membership

Authorized 30

Recommended 30

b. Reappointments

For three-year terms ending 1989

Eugenio A. Aguilar, Jr., D.D.S., El Paso, Business:
Dentist.

Mr. Hughes Butterworth, Jr., El Paso, Business:
President, Lawyer's Title of El Paso, Inc.

Mr. Charles H. Foster, El Paso, Business:
President, Foster-Schwartz Development Corp.

Mr. Dennis H. Lane, El Paso, Business: Former
Chairman of the Board, El Paso Electric Company

Mr. Arnold Peinado, Jr., El Paso, Business:
President, AVC Development Corporation

Mr. Edward F. Schwartz, El Paso, Business: Vice
President, Popular Dry Goods Company, Inc.

c. New Appointments

For three-year terms ending 1989

Mr. Richard Hickson, El Paso, to replace Mr.
W. H. Orme-Johnson, Jr. Business: President,
Texas Commerce Bank

Mr. Guillermo Licon, El Paso, to replace Mr.
Jose G. Santos. Business: President,
Sub-Land, Inc.

d. Unfilled Terms

Term Expires

None

THE UNIVERSITY OF TEXAS OF THE PERMIAN BASIN

Recommended Appointments to Membership

Development Board

a. Membership

Authorized 25

Recommended 30

b. Reappointments

For three-year terms ending 1989

Mr. William B. Blakemore II, Midland. Business:
President, Alpha 21 Corporation.

J. D. Cone, M.D., Odessa. Business: Physician

Mr. J. Conrad Dunagan, Monahans. Business:
Chairman of the Board, Permian Coca Cola Company

Dr. Al G. Langford (Ph.D.), Midland. Business: Oil Investments
 Mr. Louis Rochester, Odessa. Business: Chairman of the Board, Murphy and Rochester, Inc.
 Mr. W. O. Shafer, Odessa. Business: Attorney with the firm of Shafer, Gilliland, Davis, McCollum and Ashley.
 Mrs. Richard C. Slack, Pecos. Business: Civic Leader

c. New Appointments

For two-year term ending 1988

Mr. Frank Cahoon, Midland, to replace Mr. Harrell Feldt. Business: Independent Oil Producer.

For three-year terms ending 1989

Mr. James K. Cox, Midland, vacancy from increased membership. Business: Landman.
 Mr. Joseph I. O'Neill, III, Midland, vacancy from increased membership. Business: General Manager, O'Neill Properties Ltd.
 Mr. Paul C. Rea, Midland, vacancy from increased membership. Business: President, Spectrum Seven Energy Corp.

d. Unfilled Terms	<u>Term Expires</u>
One	1988
Two	1989

THE UNIVERSITY OF TEXAS AT SAN ANTONIO

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 25 Recommended 25

b. Reappointments

For three-year terms ending 1989

Mr. Alex H. Halff, San Antonio, Business: President and Chairman of the Board, Alamo Title Company
 Mr. Houston H. Harte, San Antonio, Business: Chairman of the Board, Harte-Hanks Communications, Inc.
 Mr. Bernard L. Lifshutz, San Antonio, Business: President, Texas Home Improvements, Inc., and President, Berlee Lumber Company, Inc.
 Mr. B. J. "Red" McCombs, San Antonio, Business: Owner, Red McCombs Ford
 Gen. Robert F. McDermott (Ret.), San Antonio, Business: President and Chairman of the Board, United Services Automobile Association
 Mr. Louis H. Stumberg, San Antonio, Business: Vice Chairman of the Board, Del Monte Frozen Foods, Inc.

c. New Appointments

For two-year terms ending 1988

Mr. Marvin G. Kelfer, San Antonio, vacancy from unfilled term.
Business: President, Travis Savings and Loan Association

For three-year terms ending 1989

Mr. T. C. Frost, San Antonio, to replace Mr. C. Linden Sledge.
Business: Chairman of the Board, Frost National Bank
Mr. Roger Hemminghaus, San Antonio, to replace William C. Winter,
M.D. Business: President, Diamond Shamrock Refining and
Marketing Company

d. Unfilled Terms

Term Expires

two

1987

B. College of Business Advisory Council

a. Membership

Authorized 25

Recommended 25

b. Reappointments

For three-year terms ending 1989

Mr. Clark Aylsworth, Sr., San Antonio, Business: President,
United Services Advisors, Inc.
Mr. Samuel P. Bell, San Antonio, Business: Managing Partner,
Ernst and Whinney
Mrs. Betty Burke, San Antonio, Business: President, Indian
Hills Properties, Inc.

c. New Appointments

For one-year term ending 1987

Mr. Paul Reddy, San Antonio, to replace Mr. George F. Golder.
Business: Managing Partner, Peat, Marwick, Mitchell and Co.

For three-year terms ending 1989

Mr. Robert Cuyler, San Antonio, to replace Mr. William G.
Conway. Business: Executive Vice President, San Antonio
Savings Association
Mrs. Barbara Banker, San Antonio, to replace Mrs. Katherine N.
Folbre. Business: President, Williams Insulation Co., Inc.
Mr. George Brown, San Antonio, to replace Mr. Marvin M.
Kline. Business: Executive Vice President, InterFirst Bank
San Antonio
Dr. Patricia LeMay Burr, San Antonio, to replace Mr. Byron L.
LeFlore. Business: Senior Vice President of Retail
Marketing, Fox-Stanley Photo Products, Inc.
Mr. Robert Worth, San Antonio, to replace Mr. Harold E.
O'Kelley. Business: Chief Finance Officer, Robert
Callaway Corporation

d. Unfilled Terms

Term Expires

none

THE UNIVERSITY OF TEXAS AT TYLER

Recommended Appointments to Membership

Development Board

a. Membership

Authorized 25

Recommended 26

b. Reappointments

For three-year terms ending 1989

Mr. James W. Arnold, Tyler, Business: President, Woolf and Magee, Inc.

Mr. Henry M. Bell, Jr., Tyler, Business: President and Chairman of the Board, First City National Bank of Tyler.

Mr. Robert P. Buford, Tyler, Business: Chairman of the Board and Chief Executive Officer, Buford Television, Inc.

Mr. Allen M. Burt, Tyler, Business: President and Chief Executive Officer, Texas American Bank.

Mrs. Louise Estabrook, Tyler, Business: Community Leader

c. New Appointments

For one-year term ending 1987

Mr. Vernon E. Faulconer, Tyler, to replace Mr. J. S. Hudnall. Business: Oil & Gas

For two-year term ending 1988

Mr. Robert M. Rogers, Tyler, vacancy from unfilled term. Business: President, Texas Community Antennas

For three-year term ending 1989

Mr. James M. Bandy, Tyler, to replace Mrs. Joe (Inez) Denson. Business: Attorney, Robert M. Bandy & Associates, P.C.,

Mr. George W. Oge, Tyler, to replace Mr. C. Quentin Abernathy. Business: Chairman of the Board and Chief Executive Officer, Oge Oldsmobile, Inc.

Mr. Eugene Talbert, Tyler, vacancy from unfilled term. Business: Oil Producer

Mr. John E. White, Tyler, vacancy from increased membership. Business: Trustee, Brady P. Gentry Trust

d. Unfilled Terms

Term Expires

None

THE UNIVERSITY OF TEXAS
INSTITUTE OF TEXAN CULTURES AT SAN ANTONIO

Recommended Appointments to Membership

Development Board

a. Membership

Authorized 29

Recommended 29

b. Reappointments

For three-year terms ending 1989

Mr. Tom Billings, Corpus Christi, Business: Chairman of
the Board, Padre Industries, Inc.

Mr. J. P. Bryan, Jr., Houston, Business: President, Torch
Energy Corporation

Mrs. Everett (Elizabeth) Hutchinson, Bethesda, Maryland, and
Palestine, Texas, Business: Civic Leader

Mr. Earl Jones, Brownfield, Business: Jones & Lowe Insurance
Agency

Mr. Stephen (Janell) Kleberg, Kingsville, Business: Civic
Leader

Mr. Thos. H. Law, Fort Worth, Business: Attorney, Law,
Snakard and Gambill

Mr. Ballinger Mills, Galveston, Business: Attorney, Mills,
Shirley, McMicken and Engel

Dan C. Peavy, Jr., D.D.S., San Antonio, Business: Orthodontist

Mrs. Walter (Ruth) Sterling, Houston, Business: Civic Leader

Mr. David A. Witts, Dallas, Business: Attorney, Arter, Hadden
and Witts

c. New Appointments

None

d. Unfilled Terms

one

Term Expires

1987

**Health Affairs
Committee**

HEALTH AFFAIRS COMMITTEE
COMMITTEE CHAIRMAN BRISCOE

Date: June 5, 1986
Time: Following the meeting of the Academic Affairs Committee
Place: Lobby, Commons Building, Balcones Research Center

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1. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VIII, Section 3 (Medical and Hospital Services).--

RECOMMENDATION

The Office of the Chancellor concurs in the recommendation of the U. T. health component presidents for approval of amendments to Part One, Chapter VIII, Section 3 (Medical and Hospital Services) of the Regents' Rules and Regulations as presented in congressional style below.

Specifically, the Office of the Chancellor recommends the following:

Sec. 3. Medical and Hospital Services. No health care ~~[medical-or-hospital]~~ services shall be provided by any component institution of the System to any person without compensation or reimbursement to the System, except that in the case of health care facilities ~~[hospitals]~~ operated by the System, which under the law are open to the general public, free or partly free health care ~~[medical-and-hospital]~~ services may be rendered to persons who are indigent and who are able to offer proof that they are not financially able to pay either all or any part of their health care ~~[hospital-or-medical]~~ expenses.

Health ~~[in-the-health]~~ components ~~[,--full-time faculty-in-clinical-services-meeting-the American-Medical-Association-definitions-of primary-care]~~ may accept patients for acute or continuing, or both, care without referral by another physician or agency ~~[if-the-patients certify-that-they-have-no-primary-physicians]~~. The patients are accepted for total and continuing care including the obligation to obtain the services of other physicians when indicated.

~~[Upon-the-referral-of-a-duly-licensed physician,-dentist,-or-governmental-agency-or for-the-purpose-of-preparing-for-testimony before-any-administrative-or-judicial tribunal,-full-time-faculty-in-nonprimary-care clinical-services-may-accept-patients-for examination,-care-and/or-treatment.--The referral-source-should-be-documented-in-the patient's-records.]~~

~~[This-referral-policy-shall-not-apply-to patients-with-emergency-conditions,-or-to employees-or-students-of-UT-component institutions.]~~

It is further recommended that the Executive Secretary to the U. T. Board of Regents, in consultation with the Office of General Counsel, be authorized to make appropriate editorial changes in the remainder of the Regents' Rules and Regulations that may be necessary in order to conform to the foregoing changes related to medical and hospital services.

BACKGROUND INFORMATION

At the March 1986 Council of Health Institutions meeting, the health institution presidents proposed these changes in regard to the referral of patients to:

- a. Maintain a patient mix for teaching
- b. Ease processing of patients
- c. Maintain an adequate patient base for teaching and research.

These changes have been reviewed by the Office of General Counsel.

2. U. T. Health Science Center - Houston: Recommendation for Approval to Increase the Student Services Fee (Compulsory) Effective with the Fall Quarter 1986 (Catalog Change).--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Bulger that the U. T. Board of Regents approve an increase in the Student Services Fee (Compulsory) at the U. T. Health Science Center - Houston effective with the Fall Quarter 1986. The current fee is a maximum of \$45.00 per quarter (\$3.75 per hour per quarter) and will be increased to a maximum of \$55.00 per quarter (\$4.58 per hour per quarter) for full-time students. The increase for part-time students will be in accordance with the schedule listed below:

<u>Hours</u>	<u>Student Services Fee</u>
1 - 3 hours	\$13.75
4 - 6 hours	27.50
7 - 9 hours	41.25
Over 9 hours	55.00

This increase will not affect the late registration fee.

BACKGROUND INFORMATION

Pursuant to Section 54.503, Texas Education Code, the Student Services Fee increase was approved by the Student Intercouncil and is directly related to operating costs associated with the student health service and the recreational facility. The proceeds from the \$55.00 quarterly fee will be allocated as follows:

Student Health	\$29.00
Recreational Programs	23.00
Student Government	3.00

The last Student Services Fee increase was for Fall Quarter 1984.

If this recommendation is approved, the Minute Order will reflect that the next catalog published will conform to this action.

3. U. T. Health Science Center - Houston: Recommendation for Authority to Enter into an Agreement with The Woodlands Corporation, a Texas Corporation, for the Relocation of the U. T. Health Science Center's Cryobiology Research Center to The Woodlands Research Forest.--

RECOMMENDATION

The Office of the Chancellor concurs with President Bulger's recommendation that the U. T. Board of Regents authorize the Office of the Chancellor and the Office of General Counsel to continue and, if possible, conclude negotiations on behalf of the U. T. Health Science Center - Houston with The Woodlands Corporation, a subsidiary of the Mitchell Energy and Development Corporation, to relocate the Cryobiology Research Center of the U. T. Health Science Center - Houston to the facilities of Woodlands Corporation known as The Woodlands Research Forest.

It is further recommended that these negotiations proceed in accordance with the parameters of the letter of May 5, 1986, written to Dr. R. W. Butcher, Director, Institute for Technology Development and Assessment, U. T. Health Science Center - Houston, by Woodlands Corporation, as set out on Pages HAC 6 - 8. If negotiations are successful, a final agreement will be presented for approval to the U. T. Board of Regents at a future meeting.

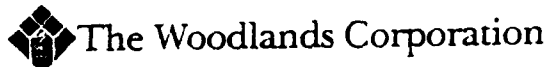
BACKGROUND INFORMATION

The Cryobiology Research Center at the U. T. Health Science Center - Houston utilizes a science and technology (cryoprep- aration) involving a patented ultra low temperature (cryo- genic) technique which permits the preservation of tissues without cell destruction encountered in other low temperature processes. The technique was pioneered and developed by Dr. John Linner (a faculty member at the U. T. Health Science Center - Houston), and has become known as "The Linner Pro- cess." Pursuant to the Regents' Rules and Regulations, the U. T. Board of Regents owns patents on this technology. The Woodlands Venture Capital Company, also a subsidiary of Mitchell Development, after considerable investigation, has elected to form a new capital stock corporation named CryoM Corporation to commercially develop "The Linner Process." Accordingly, CryoM Corporation has negotiated to acquire license rights from the U. T. Board of Regents in accordance with the proposed License Agreement set out on Pages L&I 44-72.

Associated with the License Agreement, but not dependent upon it, is the proposed separate arrangement with The Woodlands Corporation for the relocation of the U. T. Health Science Center - Houston Cryobiology Research Center to The Woodlands Research Forest. The Woodlands Corporation is presently willing to support this activity without charge for two years in a building they have constructed for this purpose on the following basis:

- a. Contributing the sum of approximately \$580,000 to support relocation expenses and provide space for the research activities of the Center. This sum would be payable in 24 equal installments.
- b. It is proposed that the U. T. Health Science Center - Houston will provide the sum of \$688,000.

- c. After two years, the parties will evaluate programs of the Center and will decide whether to continue.
- d. CryoM will provide an additional \$360,000 for sponsored research at the Center under the License Agreement.



2201 Timberloch Place
The Woodlands, Texas 77380
(713) 363-5700

May 5, 1986

Dr. R. W. Butcher, PhD
Director, Institute for Technology
Development and Assessment
University of Texas
Health Science Center at Houston
P. O. Box 20034
Houston, Texas 77225

Dear Bill:

By this letter, and in conformance with our past discussions, The Woodlands Corporation (TWC), a wholly-owned subsidiary of Mitchell Energy & Development Corp., hereby sets forth this proposal to relocate the University of Texas Health Science Center at Houston's Cryobiology Research Center to The Woodlands Research Forest. TWC seeks approval from the University of Texas' Board of Regents for an agreement in principle to commence the appropriate actions to effect this relocation. The basic concept of this relocation is as follows:

BACKGROUND

Mr. George Mitchell, President of Mitchell Energy & Development Corp., has expressed an interest in attracting preferred research, education, and/or health care entities of the University of Texas System to The Woodlands Research Forest. As a tangible sign of Mr. Mitchell's interest, support funds and land has been set aside for such purposes.

In September, 1985, the University, through your office, contacted TWC to explore the possibility of obtaining support for the relocation of the Cryobiology Research Center to The Woodlands Research Forest. The central thrust of this contact was, and is, that Dr. John G. Linner, of the Cryobiology Research Center, having developed a revolutionary system for the preparation of tissue for cell ultrastructure analysis and preservation, required first class laboratory facilities to enhance his state of the art research activity.

TWC undertook a comprehensive evaluation of the Cryobiology Research Center and of the research being proposed by Dr. John G. Linner. A major consideration involved in determining the feasibility of this relocation was consideration of how Dr. Linner and the Center might complement and interact with the other research groups located in The Woodlands Research Forest. We concluded that, indeed, the Cryobiology Research Center would be an important addition to the activities in the Forest and, on that basis, decided to pursue discussions which would lead to a formal agreement with the Board of Regents of the University of Texas System.

A Subsidiary of Mitchell Energy & Development Corp.

May 5, 1986
Dr. R. W. Butcher

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PROPOSAL

After some preliminary discussions on the matter, we asked for, and received, an itemized two year budget for the relocation and support of the Cryobiology Research Center. This budget, under cover of a letter dated December 5, 1985, from Bob Davis of your office, to David Gottlieb of TWC, set forth both space and dollar needs for this initial period. It was understood that the budget presented for this two year period was expressed as "funds needed", as opposed to "funds requested" from TWC.

Subsequent discussions produced some modifications of the original estimates. Furthermore, it was agreed that the success of the Center to attract external funding might further reduce TWC and the University's funding obligations. Still, since it was important to frame a firm proposal for the Regents' consideration, the following budget outline, as previously discussed with you, is hereby provided.

- I. The Woodlands Corporation pledges to support the relocation and research activities of the Cryobiology Research Center at The Woodlands Research Forest for a period of two (2) years, commencing with the opening of the Center which is estimated to be October 1, 1986, by contributing a sum of money, not to exceed Five Hundred Eighty Thousand Dollars (\$580,000.00) payable in twenty-four (24) equal installments. This two year commitment represents funds to provide suitable laboratory and office space sufficient to assure the viability of the Center for the two (2) year period.
- II. The University of Texas Health Science Center at Houston agrees to provide a sum of money not to exceed Six Hundred Eighty-eight Thousand Dollars (\$688,000.00) over a period of two (2) years. It is understood that these funds will provide for salaries, fringe benefits, certain specialized equipment, and equipment maintenance.
- III. The University of Texas Health Science Center at Houston intends to support the Cryobiology Research Center in The Woodlands Research Forest for an additional three (3) year period beginning October 1, 1988. It shall be understood that this support shall include the provision of funds for lease space, sufficient for the operation of a viable research center, either from University funds, external contract and/or grant funds.

May 5, 1986
Dr. R. W. Butcher

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- IV. The programs of the Cryobiology Research Center will be evaluated by the University of Texas Health Science Center at Houston at the end of the second year of operations (September 30, 1988) to determine level of continued support beginning October 1988.
- V. CryoM Corporation, partially owned by The Woodlands Venture Capital Company, an affiliate of The Woodlands Corporation, under the terms of a separate exclusive licensing agreement with the Board of Regents, has agreed to contribute the sum of Three Hundred Sixty Thousand Dollars (\$360,000.00) to the University of Texas Health Science Center at Houston.
- VI. It is understood that the University and TWC will, prior to October 1, 1986, mutually agree to formal contract documents on the preceding points, to be submitted to the Board of Regents for review and approval.

As you know, Bill, we are most excited about the relationship being proposed here. We look forward to a long and mutually beneficial collaboration.

Sincerely,



Michael Richmond



David Gottlieb

DG:MR:cam

4. U. T. Health Science Center - Houston: Recommendation for Approval of Sublease and Affiliation Agreement with The Gamma Foundation, Houston, Texas, for the Establishment of the Brain and Neurosciences Research Institute.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Bulger that the U. T. Board of Regents:

- a. Agree to the provisions, terms, and conditions of the Sublease and Affiliation Agreement as set out on Pages HAC 11 - 42
- b. Authorize the Executive Vice Chancellor for Health Affairs to make necessary changes thereto so long as they are not substantial, and instruct him to return to the Board for approval of substantial changes
- c. Authorize the Executive Vice Chancellor for Health Affairs to execute the final Sublease and Affiliation Agreement on behalf of the U. T. Board of Regents.

BACKGROUND INFORMATION

At the February 1986 meeting, the U. T. Board of Regents agreed in principle to the establishment of a formal relationship between The Gamma Foundation of Houston, Texas, and the U. T. Health Science Center - Houston for the support of the operation of an institute for research relating to brain and neurological systems. The following summarizes the contents of the attached agreement.

The concept is that the U. T. Health Science Center - Houston and The Gamma Foundation will establish permanent research activities and attract world-class scientists to conduct research activities at the Institute.

The financial contribution of the U. T. Health Science Center - Houston will be to furnish appropriate facilities for the Institute, at a nominal cost. The Sublease and Affiliation Agreement initially provides for the sublease of space at The University of Texas Mental Sciences Institute. (The Sublease and Affiliation Agreement is expressly conditioned upon approval by Texas Department of Mental Health and Mental Retardation (TDMHMR), as provided in the Lease and Transfer Agreement between TDMHMR and the U. T. Board of Regents which was approved in August 1985.)

The Brain and Neurosciences Research Institute will be free-standing and the scientists will be responsible to the director of the Institute. The director is responsible to The Gamma Foundation's Board of Trustees.

The funding of the Institute's activities will come from sources other than U. T. System. The Sublease and Affiliation Agreement is expressly conditioned upon the achievement of several fund-raising bench marks. The initial fund-raising goal must be proposed by The Gamma Foundation, recommended by the President of the U. T. Health Science Center - Houston and approved by the

Executive Vice Chancellor for Health Affairs. When The Gamma Foundation achieves 50% of the initial goal, it may occupy the subleased premises. Prior to remodeling, it must achieve 70% of the initial goal. Finally, 100% of the initial goal must be met by September 1, 1987.

The rent for the subleased premises is one dollar per year and the term begins upon occupancy and continues approximately 10 years, with provision for automatic renewals, but subject to changes in the underlying law by the Legislature.

An intellectual property policy compatible with that of the U. T. Board of Regents is part of the agreement.

Graduate students and others shall be available to the Institute, as well as administrative and other services, on a shared service basis.

BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE

SUBLEASE AND AFFILIATION AGREEMENT

THE GAMMA FOUNDATION

THE BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM
ON BEHALF OF
THE UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON

JUNE 1986

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BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE
SUBLEASE AND AFFILIATION AGREEMENT

PARTIES

THIS SUBLEASE and AFFILIATION AGREEMENT by and between The Gamma Foundation, a Texas nonprofit corporation, and The Board of Regents of The University of Texas System, acting on behalf of its component institution, The University of Texas Health Science Center at Houston,

WITNESSETH:

RECITALS

WHEREAS, The Gamma Foundation is a Texas, nonprofit, tax-exempt corporation, with the principal purpose of engaging in basic research with respect to the brain and related neurological systems, and

WHEREAS, the Board of Regents of The University of Texas System, pursuant to Senate Bill 1295, 69th Legislature, Regular Session, 1985, (Section 73.501, Texas Education Code), is vested with the governance, operation, management, and control of The University of Texas Mental Sciences Institute (UTMSI), which is a part of The University of Texas Health Science Center at Houston (UTHSC-H), and

WHEREAS, The Gamma Foundation desires to enter into a sublease of a portion of the premises of UTMSI and an affiliation agreement with The University of Texas Health Science Center at Houston, for the purpose of operating a research institute on such premises to be called The Brain and Neurosciences Research Institute, and

WHEREAS, U. T. Board of Regents considers such a proposal consistent with the intent and purposes of Senate Bill 1295 and the commitment of UTHSC-H to education, research, and care of patients with mental illness as evidenced by the establishment of UTMSI and the operation of the new 250-bed Harris County Psychiatric Center by UTHSC-H,

NOW, THEREFORE, THE PARTIES MUTUALLY AGREE AS FOLLOWS:

Part I: NAME OF INSTITUTE, EXHIBITS AND
DEFINITIONS

Section 1. Name of Institute

The Gamma Foundation hereby names the institute, to be established at the Subleased Premises at The University of Texas Health Science Center at Houston, "The Brain and Neurosciences Research Institute." It may be referred to as "Brain/Neurosciences Research Institute."

Section 2. Exhibits

Incorporated into this Sublease and Affiliation Agreement and made a part hereof for all purposes as if recited verbatim or described fully and completely are the following exhibits:

- EXHIBIT 1: Survey of Leased Premises
- EXHIBIT 2: Floor Plans of Leased Premises
- EXHIBIT 3: Description of Subleased Premises

- EXHIBIT 4: List of Services to be Provided Under
Sublease and Cost Schedule
EXHIBIT 5: Policy on Intellectual Property

Section 3. Definitions

The following definitions apply throughout this Sublease and Affiliation Agreement unless it is expressly indicated otherwise or unless the context indicates another meaning:

"Administrative Services" means those services, to be provided by The University of Texas Health Science Center at Houston to The Gamma Foundation for The Brain and Neurosciences Research Institute, listed in Exhibit 4.

"Agreement for Lease and Transfer" means that agreement, dated August 19, 1985, by and between the Texas Board of Mental Health and Mental Retardation and U. T. Board of Regents wherein the facilities of the former Texas Research Institute of Mental Sciences were leased by MHMR to U. T. Board of Regents and U. T. Board of Regents established UTMSI.

"Authorized representatives" mean those persons authorized in writing by The Gamma Foundation and the U. T. Board of Regents to take such actions as are necessary under this Sublease and Affiliation Agreement.

"Board of Regents of The University of Texas System" or "U. T. Board of Regents" means the governing board of The University of Texas System of higher education institutions.

"Effective Date" means the date upon which the Subleased Premises are accepted for occupancy by The Gamma Foundation.

"Facilities" mean that portion of the building currently housing The University of Texas Mental Sciences Institute, as described in Exhibits 2 and 3.

"Leased Premises" means the land, the legal description of which is found at Exhibit 16 of the Agreement for Lease and Transfer, and buildings, improvements, and major fixed equipment situated thereon, including all utilities.

"Subleased Premises" means that interior portion of the Leased Premises that is drawn on the floor plans at Exhibit 2 and more particularly described at Exhibit 3, together with the Facilities situated thereon, the schedules of fixed equipment and provided utilities, and the number of parking spaces listed at Exhibit 4, or other mutually agreed upon premises at UTHSC-H.

"The Gamma Foundation" means the Texas, nonprofit corporation of that name.

"The University of Texas Health Science Center at Houston" or "UTHSC-H" means the health institution that is a component of The University of Texas System.

"The University of Texas System Center for High Performance Computing" or "CHPC" means the center for high performance computing located at the Balcones Research Center on the campus of The University of Texas at Austin in Austin, Texas.

"Utilities" means those services provided by or through UTHSC-H as listed at Exhibit 4.

Part II: MISSION OF AND USE OF SUBLEASED PREMISES

Section 4. Mission of Institute

The mission of The Brain and Neurosciences Research Institute shall be to recruit and provide facilities for world-class scientists to engage in basic neuroscience research projects with respect to the brain and related neurological systems.

Section 5. Use of Subleased Premises

The Gamma Foundation covenants that the Subleased Premises shall be used and maintained throughout the Term of the Sublease or Term of the Affiliation Agreement as a basic science research institute for projects directly related to the mission of The Brain and Neurosciences Research Institute. The Gamma Foundation covenants not to abandon the Subleased Premises and not to use the Subleased Premises for any purpose other than as stated herein.

Part III: SUBLEASE

Section 6. Demise of Subleased Premises

- (a) U. T. Board of Regents, as Sublessor of the Subleased Premises, in consideration of the rents, covenants, agreements, and conditions herein set forth, and for other good and valuable consideration, which The Gamma Foundation, acting as Sublessee herein, on behalf of The Brain and Neurosciences Research Institute, hereby agrees shall be paid, kept and performed by Sublessee, does hereby lease, let, demise, and rent exclusively unto Sublessee, and Sublessee does hereby rent and lease from Sublessor, the Subleased Premises, together with all and singular the rights, privileges, and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the Terms of this Sublease;

SUBJECT HOWEVER, among other matters, to the provisions of Senate Bill 1295, (Subchapter H, Chapter 73, Texas Education Code), and such other laws as may be enacted by the Texas Legislature relating to Subleased Premises, and subject to the Agreement for Lease and Transfer and the Easements provided for in subsection (b), below;

TO HAVE AND TO HOLD the Subleased Premises subject to the matters as aforesaid, together with all and singular the rights, privileges and appurtenances thereunto attaching or in anywise belonging or hereinafter provided for under the terms of this Sublease, exclusively unto Sublessee, its successors or assigns, for an initial Term commencing on the Effective Date of this Sublease and ending on September 1, 1996, and, unless prior written notice of cancellation is given as provided for herein, automatically renewable for ten-year Terms thereafter; and upon and subject to the covenants, agreements, terms, provisions, and limitations hereinafter set forth, all of which Sublessee covenants and agrees to perform and observe.

- (b) Sublessor, U. T. Board of Regents, retains the right to have access to the premises by way of driveways,

walkways, and corridors of the Subleased Premises for purposes of inspection as provided for at Section 14, below.

Section 7. Facilities

- (a) The Gamma Foundation shall pay all remodeling and partition costs incurred in preparing the Subleased Premises for occupancy, and, upon expiration of the Sublease, shall pay all costs of restoration of the Subleased Premises to their condition as of the date of initiation of remodeling. All plans, specifications, and drawings for remodeling of the premises shall be subject to the approval of UTHSC-H.
- (b) The Subleased Premises and all improvements related thereto that are constructed or otherwise made by The Gamma Foundation to the Subleased Premises, including alterations permitted under Section 8, below, and subject to the provisions of subsection (c), below, shall be subleased by The Gamma Foundation from the date of actual installation and throughout the Term of the Sublease.
- (c) Any and all newly acquired fixtures shall be owned by The Gamma Foundation during the Term of the Sublease, and shall be transferred free of charge to UTHSC-H upon termination of the Sublease and Affiliation Agreement; provided, however, that The Gamma Foundation may remove any fixtures if they can be removed without damage to the Subleased Premises; provided further, that if any fixtures are removed and damage results, The Gamma Foundation agrees to repair the Subleased Premises and to restore them to their original condition. The Gamma Foundation shall own any and all previously acquired or newly acquired movable equipment that it brings into the Subleased Premises. The Gamma Foundation shall maintain an inventory of fixed and movable equipment for purposes of disposition of properties at the expiration of the Sublease and Affiliation Agreement.

Section 8. Alterations

The Gamma Foundation, or its authorized representatives, shall have the right at any time and from time to time after completion of the remodeling, during the Term hereof, subject to the prior written approval of UTHSC-H of the plans, specifications, and drawings for such work, to make any and all necessary or desirable changes and alterations in or to the Subleased Premises or improvements thereto. All such permitted changes and alterations shall be immediately considered a part of the Subleased Premises. The Gamma Foundation covenants and agrees that all work done in connection with any alteration shall be done in a good and workmanlike manner and in compliance with all applicable federal, state, and local rules and regulations.

Section 9. Utilities

- (a) UTHSC-H shall obtain and install utility and sewer services required for use of the Subleased Premises. UTHSC-H shall pay or cause to be paid all charges for gas, electricity, water, sewer service, telecommunications, and other utilities obtained for the Subleased Premises during the Term of the Sublease and all sewer use charges or similar charges or assessments for

utilities levied against the Subleased Premises during the Term of the Sublease.

- (b) Telecommunication and data support services provided by UTHSC-H to The Brain and Neurosciences Research Institute shall be substantially equivalent to those services available to all departments or divisions of UTHSC-H, with no unnecessary barriers to transparent linking of facilities, including reasonable access to The University of Texas System Center for High Performance Computing (CHPC); provided, however, that access to such services shall always be subject to the rules and regulations of the CHPC Executive Committee and the Rules and Regulations of the U. T. Board of Regents.
- (c) The Gamma Foundation shall reimburse UTHSC-H for these services in accordance with the terms of Exhibit 5.

Section 10. Repairs and Maintenance

- (a) The Gamma Foundation covenants, throughout the Term hereof, to take good care of the Subleased Premises and all improvements to and upon the Subleased Premises and, subject to the provisions of the Sublease, elsewhere set forth, to keep the same in good working order and condition, excepting reasonable wear and tear, and to make all necessary nonstructural repairs to the interior of the Subleased Premises. The Gamma Foundation shall keep and maintain all portions of the improvements within the Subleased Premises in a clean, orderly, and safe condition.
- (b) UTHSC-H shall keep and maintain in good repair the exterior of the Subleased Premises and the structural, mechanical, and heating, ventilating, and air conditioning aspects of the Subleased Premises.

Section 11. Mechanics' Liens

The Gamma Foundation shall not suffer or permit any mechanics' or materialmen's liens to be affixed or enforced against the Subleased Premises by reason of work, labor, services or materials supplied or claimed to have been supplied to The Gamma Foundation on behalf of The Brain and Neurosciences Research Institute or anyone holding the Subleased Premises, or any part thereof, through or under the Sublease. If any such mechanics' or materialmen's liens shall at any time be filed against the Subleased Premises, The Gamma Foundation shall, within ninety (90) days after notice to The Gamma Foundation of the filing thereof, cause the same to be discharged of record or make provisions acceptable to the U. T. Board of Regents for the discharge of such lien; provided, however, that The Gamma Foundation shall have the right to contest the amount or validity, in whole or in part, of any such lien by appropriate proceedings.

Section 12. Damage and Destruction

If, at any time during the Term of the Sublease, the Subleased Premises or any part thereof shall be damaged or destroyed by fire or other casualty of any kind or nature, ordinary or extraordinary, foreseen or unforeseen, The Gamma Foundation shall repair, alter, restore, replace or rebuild the same to the extent that insurance proceeds, if any, are received by The Gamma Foundation to do so, and in such manner as the parties may mutually agree is appropriate.

Section 13. Access

U. T. Board of Regents hereby retains the right to have access to its premises by way of driveways, walkways, and corridors of the Subleased Premises.

Section 14. Right of Inspection

U. T. Board of Regents, or its authorized representatives, shall have full right and authority to enter in and upon the Subleased Premises, and any building or improvements thereon, at any and all reasonable times during the Term of the Sublease upon reasonable notice to The Gamma Foundation for the purpose of inspecting the same, without the interference or hindrance by The Gamma Foundation, its agents or representatives.

Section 15. Covenants Run with Land

All of the covenants, agreements, conditions and restrictions set forth in this Sublease and Affiliation Agreement are intended to be and shall be construed as covenants running with the land.

Section 16. Quiet Possession

The U. T. Board of Regents covenants to The Gamma Foundation that if The Gamma Foundation shall discharge the covenants, agreements and obligations herein set forth to be performed, The Gamma Foundation shall have and enjoy, during the Term hereof, the quiet and undisturbed possession of the Sublease Premises.

Section 17. Rent

The Gamma Foundation shall pay one dollar (\$1.00) per year to U. T. Board of Regents for the Sublease.

Section 18. No Subletting

The Gamma Foundation shall not have the right to sublet any portion of the Subleased Premises.

Part IV: AFFILIATION AGREEMENT

Section 19. Responsibilities of The Gamma Foundation

For purposes of this Sublease and Affiliation Agreement, The Gamma Foundation:

- (a) shall establish, manage, and operate The Brain and Neurosciences Research Institute within the Subleased Premises;
- (b) shall appoint the President of the UTHSC-H to its Board of Directors;
- (c) shall consult with the President of UTHSC-H prior to appointing a director of The Brain and Neurosciences Research Institute to serve at the pleasure of The Gamma Foundation; any dismissal of

the Director shall be with the consultation of the President of UTHSC-H;

- (d) shall establish and maintain a program of research fellowships;
- (e) shall employ research scientists who meet the qualifications for appointment to the faculty of UTHSC-H;
- (f) shall establish and maintain employment policies that:
 - (1) provide classified positions at salaries comparable to similar positions at UTHSC-H; and
 - (2) require full consultation with UTHSC-H prior to employment;
- (g) shall pay UTHSC-H for those items scheduled on Exhibit 5;
- (h) shall annually report any results of research projects to U. T. Board of Regents;
- (i) may accept undergraduate or graduate students for educational experience programs or for part-time project assignments by executing standard affiliation agreements and program agreements; and
- (j) shall act on such other matters as the parties may agree upon in writing from time to time.

Section 20. Use of Names, Intellectual Property Policy, and Licenses

(a) Use of Names

The names "Board of Regents of The University of Texas System," "The University of Texas Health Science Center at Houston," "The University of Texas Mental Sciences Institute," "The University of Texas System Center for High Performance Computing," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by The Gamma Foundation in any advertisement, prospectus, or solicitation materials, without prior written approval of the full text of the material by U. T. Board of Regents or its authorized representatives.

(b) Intellectual Property Policy

- (1) The Intellectual Property Policy of U. T. Board of Regents, and amendments thereto, shall govern the intellectual property rights of members of the UTHSC-H faculty. Any license fees or royalties received by the U. T. Board of Regents that are derived by UTHSC-H faculty from work done at The Brain and Neurosciences Research Institute shall be used by U. T. Board of Regents in such a manner as to support the mission of The Brain and Neurosciences Research Institute.
- (2) The Policies on Intellectual Property of The Brain and Neurosciences Research Institute as promulgated by The Gamma Foundation, as set out in Exhibit 5, and as may from time to time be modified, shall

govern those of its employees and faculty members from universities other than component institutions of The University of Texas System.

- (3) The Gamma Foundation agrees that The Brain and Neurosciences Institute shall timely convey in any convenient manner information and intangibles such as in seminars and informal consultations, and tangibles such as biomaterials, reports, experimental data, prototypes, etc., to designated employees in order that significant intellectual properties can be created for the benefit of the parties and their mutual commitment to the public. Accordingly, a full flow of scientific information, both intangibles and tangibles is intended to occur, with rights to any intellectual properties being determined by the respective intellectual property policies of the parties hereto.
- (4) The Gamma Foundation and U. T. Board of Regents agree to keep each other informed of changes in intellectual property policies and to make efforts to maintain reasonably consistent policies that produce equitable results for all concerned.

(c) Licenses

With respect to any intellectual property owned or developed by The Gamma Foundation for which licenses may be issued, The Gamma Foundation during the term of this Sublease and Affiliation Agreement hereby agrees to grant U. T. Board of Regents, U. T. System, and its component institutions a royalty-free, nonexclusive, irrevocable and nontransferable license for the use of such intellectual property, but not to make and sell nor license to others.

Section 21. Responsibilities of UTHSC-H

For purposes of this Sublease and Affiliation Agreement, U. T. Board of Regents acting through UTHSC-H:

- (a) shall provide those administrative and other services to The Brain and Neurosciences Research Institute as scheduled at Exhibit 4;
- (b) may assign faculty to The Brain and Neurosciences Research Institute, as provided in Section 24;
- (c) may make available UTHSC-H undergraduate and graduate students for the support of the research projects of The Brain and Neurosciences Research;
- (d) shall assist The Gamma Foundation by supplying any necessary information for applications for research project grants;
- (e) shall act on such other matters as the parties may agree upon in writing from time to time; and
- (f) shall take all necessary steps to keep its lease of the Leased Premises in effect during the Term of this Sublease and Affiliation Agreement.

Section 22. Cooperation

The Gamma Foundation and U. T. Board of Regents recognize their mutual interests in carrying out the provisions of the Sublease and Affiliation Agreement and agree that there shall be consultation and good faith cooperation between them and among all of their respective authorized representatives.

Section 23. Faculty Assignments

UTHSC-H may assign its faculty members to full or part-time project assignments that the President of UTHSC-H finds appropriate to UTHSC-H, and in accordance with the terms of written contracts for services mutually agreed upon between The Gamma Foundation and UTHSC-H.

Section 24. Faculty Appointments

Research scientists of The Gamma Foundation working at The Brain and Neurosciences Research Institute may apply to UTHSC-H for appointment to the faculty. UTHSC-H shall process such applications for appointment in accordance with U. T. Board of Regents' Rules and Regulations and the UTHSC-H Handbook of Operating Procedures.

Section 25. Joint Employment

Nothing contained in this Sublease and Affiliation Agreement shall prohibit additional agreements providing for the joint employment of persons by The Gamma Foundation and U. T. Board of Regents and for pro rata apportionment of salaries.

Section 26. Nonassignability

Neither party hereto may assign its interests under this Sublease and Affiliation Agreement without the prior written consent of the other party.

Part V: MISCELLANEOUS PROVISIONS

Section 27. Accreditation

The Gamma Foundation shall cause the administrative practices and procedures of The Brain and Neurosciences Research Institute to meet applicable accreditation standards consistent with or required by any rules and regulations of persons granting The Brain and Neurosciences Research Institute funds for research.

Section 28. Government Regulations

The Gamma Foundation shall cause The Brain and Neurosciences Research Institute to be operated in such a manner as to comply with any and all applicable governmental regulations involving research projects it anticipates engaging or has engaged.

Section 29. Force Majeure

The time within which either party hereto shall be required to perform any act under the Sublease and Affiliation Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto; provided, however, that the party whose performance is delayed shall give written notice of the cause of such delay within a reasonable time period following the event or events relied upon as cause.

Section 30. Default, Remedies, and Waivers

In the event of any default in performance of any covenant contained in this Sublease and Affiliation Agreement, the aggrieved party shall notify the defaulting party regarding the particulars of such default in writing, which writing shall designate a reasonable period of time (but at least thirty (30) days) for the cure of such default (or if the aggrieved party so chooses, for the accomplishment of an alternative proposal described therein which shall be acceptable to said party as grounds for waiver of default). If the defaulting party shall have failed to cure the default (or to comply substantially with any such alternative proposal) identified in such notice within such reasonable period following said notice, then such aggrieved party may, in addition to and not in lieu of any other remedy otherwise available, terminate the Sublease and Affiliation Agreement by giving written notice thereof to the other party, in which case such termination shall occur on the date stated in said notice.

Section 31. Waivers

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless reduced to writing and duly executed by the parties hereto or their duly authorized representatives. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by U. T. Board of Regents of payment by The Gamma Foundation of any rentals, balances, or portions of accounts due, or reimbursements due at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

Section 32. Applicable Law

The Sublease and Affiliation Agreement shall be construed according to and be enforceable in accordance with the laws of the State of Texas.

Section 33. Compliance with Law

The Gamma Foundation covenants that during the Term of the Sublease and Affiliation Agreement, it will cause compliance, at its sole cost and expense, with all federal, state, or local laws that may be applicable to the Subleased Premises, the buildings, improvements and building equipment to be situated on the Subleased Premises, the use or manner of use of the Subleased Premises or the carrying on of business on the Subleased Premises.

Section 34. Partial Invalidity

If any term, provision, condition or covenant of the Sublease and Affiliation Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of the Sublease and Affiliation Agreement, or the application of such term, provision, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of the Sublease and Affiliation Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 35. No Partnership or Joint Venture

No partnership or joint venture is intended or created by this Sublease and Affiliation Agreement.

Section 36. Liabilities and Indemnification

- (a) By entering into and performing the Sublease and Affiliation Agreement, U. T. Board of Regents shall not assume or become liable for any of the obligations, liabilities or debts of The Gamma Foundation, its employees, doctors, research scientists, agents, or servants.
- (b) The Gamma Foundation shall indemnify and hold harmless U. T. Board of Regents, its officers, employees and agents, UTHSC-H, its officers, employees, and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury to or death of persons, or damage to property from whatever cause, while in or on the Subleased Premises, or in any way connected with occupancy by The Gamma Foundation of the Subleased Premises or with the improvements or personal property thereon or therein, including any liability for injury to or death of persons, or damage to property of The Brain and Neurosciences Research Institute, its officers, doctors, research scientists, employees and agents, but excluding any injury, death or damage caused by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees or agents.
- (c) The Gamma Foundation agrees to indemnify and hold harmless the U. T. Board of Regents, The University of Texas System, the component institutions, their officers, agents, and employees from any liability, loss or damage they may suffer as a result of claims, demands, costs or judgments against them arising out of the activities to be carried out pursuant to the obligations of this Sublease and Affiliation Agreement and the use by The Gamma Foundation of the results obtained from

their activities hereunder as well as activities performed by components of U. T. Board of Regents under this Sublease and Affiliation Agreement, save and except for any such liability, loss or damage resulting from the following:

- (1) a negligent failure of a component institution to comply with any applicable FDA or other governmental requirements; or
- (2) any willful or negligent act or omission of the U. T. Board of Regents, or any officer, employee, or agent of The University of Texas System or its components.

Both parties agree that within thirty (30) days of the receipt of a notice of claim or action arising out of the activities to be carried out pursuant to the activities described in this Agreement, that party will notify the other. The Gamma Foundation agrees, at its own expense, to provide attorneys to defend against any actions brought or filed against U. T. Board of Regents, The University of Texas System, its component institutions, officers, employees, or agents with respect to the subject of indemnity contained herein, whether such claims or actions are rightfully brought or filed, and U. T. Board of Regents agrees to cooperate with The Gamma Foundation in the defense of such claim or action.

- (d) Neither The Gamma Foundation nor U. T. Board of Regents acts under the terms of this Sublease and Affiliation Agreement as an agent for the other.
- (e) Notwithstanding anything contained in this Sublease and Affiliation Agreement to the contrary, the indemnity obligations of The Gamma Foundation under this Section shall be limited to the amount of insurance proceeds, if any, that are actually received by The Gamma Foundation.

Section 37. Taxes and Insurance

- (a) The Gamma Foundation and U. T. Board of Regents, as nonprofit and charitable institutions, are generally exempt from payment of ad valorem or other taxes based upon ownership, rental or occupancy of real property. In the event that any governmental entity should assert or contend that this Sublease and Affiliation Agreement may create a possessory interest subject to property taxation and that The Gamma Foundation may be subject to property taxation and that The Gamma Foundation may be subject to the payment of such taxes, The Gamma Foundation agrees to pay prior to delinquency any taxes that may be lawfully levied; provided, however, that The Gamma Foundation may contest any assessment of such taxes and, in such event, U. T. Board of Regents shall cooperate and furnish any data appropriate to prosecute such contest by The Gamma Foundation.
- (b) The Gamma Foundation shall maintain comprehensive general liability insurance or self-insurance to cover the acts and omissions of its respective officers, employees and agents during the Term of this Sublease and Affiliation Agreement, such insurance policies to name U. T. Board of Regents as an additional insured. The liability coverage for bodily injury and property damage shall at all times be at least One Million Dollars (\$1,000,000) combined single limit per person per occurrence, and shall, upon request and if permissible, name the other party as an additional

insured insofar as its interest in the Subleased Premises and this Sublease and Affiliation Agreement may be concerned. Upon request, The Gamma Foundation shall furnish U. T. Board of Regents with a copy of the policy or policies evidencing such coverage or a certificate of insurance in the case of blanket coverage, and shall give at least thirty (30) days' written notice before any such insurance is cancelled or changed with respect to parties, coverage or limits of liability.

Section 38. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Sublease and Affiliation Agreement provided or permitted to be given, made or accepted by the parties must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested; or by delivering the same in person to such party. Notice deposited in the mail in the manner hereinabove described shall be effective from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when actually received by the party to be notified. For purposes of this Section the addresses of the persons to be notified on behalf of the parties shall, until changed as hereinafter provided, be as follows:

If to The Gamma Foundation, addressed to:

The Gamma Foundation
3301 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: Rush Record

with a copy to:

Vinson & Elkins
3300 First City Tower
1001 Fannin
Houston, Texas 77002-6760
Attention: James B. Rylander, Attorney

If to U. T. Board of Regents, addressed to:

The Board of Regents of The University of Texas
System
c/o The University of Texas System
Office of the Board of Regents
201 West Seventh Street
Austin, Texas 78701
Attention: Arthur H. Dilly, Executive Secretary

with copies to:

The University of Texas Health Science Center
at Houston
P. O. Box 20036
Houston, Texas 77225
Attention: Dr. Roger J. Bulger, President

Office of General Counsel
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
Attention: John L. Darrouzet, Attorney

However, the parties hereto shall have the right from time to time and at any time to change the name and address of the person or persons to be notified on their behalf by at least fifteen (15) days' written notice to the other party.

Section 39. Construction of Agreement

This Sublease and Affiliation Agreement shall be construed consistent with Senate Bill 1295; the Rules and Regulations of the Board of Regents of The University of Texas System; and the Handbook of Operating Procedures of The University of Texas Health Science Center at Houston; and the Agreement for Lease and Transfer.

Section 40. Amendments

This Sublease and Affiliation Agreement may be amended only by written instrument executed by authorized representatives of the parties hereto.

Section 41. Limitation

Anything to the contrary herein notwithstanding, U. T. Board of Regents does not, by entering into this Sublease and Affiliation Agreement, authorize the expenditure of any state or locally generated funds without prior approval of the U. T. Board of Regents.

Part VI. TERM

Section 42. Term of Sublease

The Sublease between The Gamma Foundation and U. T. Board of Regents shall be for the initial Term beginning on the Effective Date of the Sublease and ending on September 1, 1996, and shall be automatically renewable for ten-year Terms thereafter unless written notice of termination is given prior to a renewal term as provided for herein.

Section 43. Term of Affiliation Agreement

The Affiliation Agreement between The Gamma Foundation and U. T. Board of Regents shall be for the initial Term beginning on the Effective Date of the Sublease and ending on September 1, 1996, and shall be automatically renewable for ten-year Terms thereafter unless written notice of cancellation is given prior to a renewal term.

Part VII. CONDITIONS

Section 44. Conditions

This Sublease and Affiliation Agreement shall be subject to the following conditions:

- (1) For purposes of Section 44, the initial fund raising goal shall be that amount of money proposed in writing by The Gamma Foundation, recommended in writing by the President of UTHSC-H, and approved in writing by the Executive Vice Chancellor of The University of Texas System prior to January 10, 1987.
- (2) Prior to occupancy of the Subleased Premises, The Gamma Foundation must obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to fifty percent (50%) of its initial fund raising goal.
- (3) Prior to commencement of remodeling of the Subleased Premises, The Gamma Foundation must first obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives, of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to seventy percent (70%) of its initial fund raising goal.
- (4) Prior to September 1, 1987, The Gamma Foundation must obtain written evidence of pledges acceptable to U. T. Board of Regents or its authorized representatives of firm financial support for The Brain and Neurosciences Research Institute through September 1, 1988, in an amount of money equal to one hundred percent (100%) of its initial fund raising goal.
- (5) Prior to occupancy, Texas Board of Mental Health and Mental Retardation must have approved this Sublease by formal action.

EXECUTION

Executed on the _____ day of _____, 1986.

ATTEST:

The Gamma Foundation

By: _____

Title: _____

FORM APPROVED:

RECOMMENDED:

Office of General Counsel
The University of Texas
System

Dr. Roger J. Bulger
President
The University of Texas
Health Science Center at
Houston

The Board of Regents of The
University of Texas System

By: _____
Dr. Charles B. Mullins
Executive Vice Chancellor
The University of Texas
System

CERTIFICATE OF APPROVAL
BY U. T. BOARD OF REGENTS

I hereby certify that the foregoing Sublease and Affiliation Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

EXHIBIT 1.
SURVEY OF LEASED PREMISES

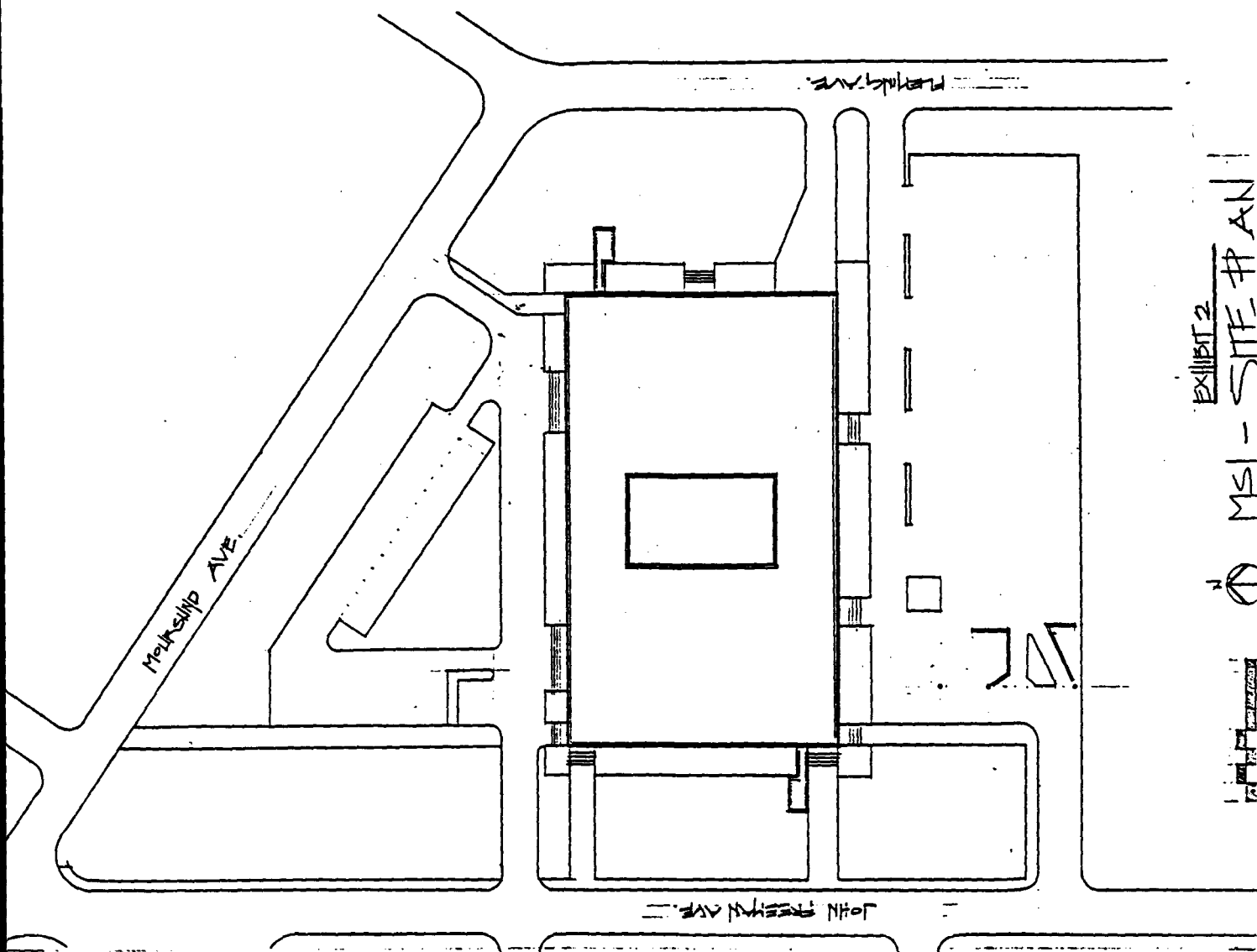


EXHIBIT 2.

FLOOR PLANS OF LEASED PREMISES

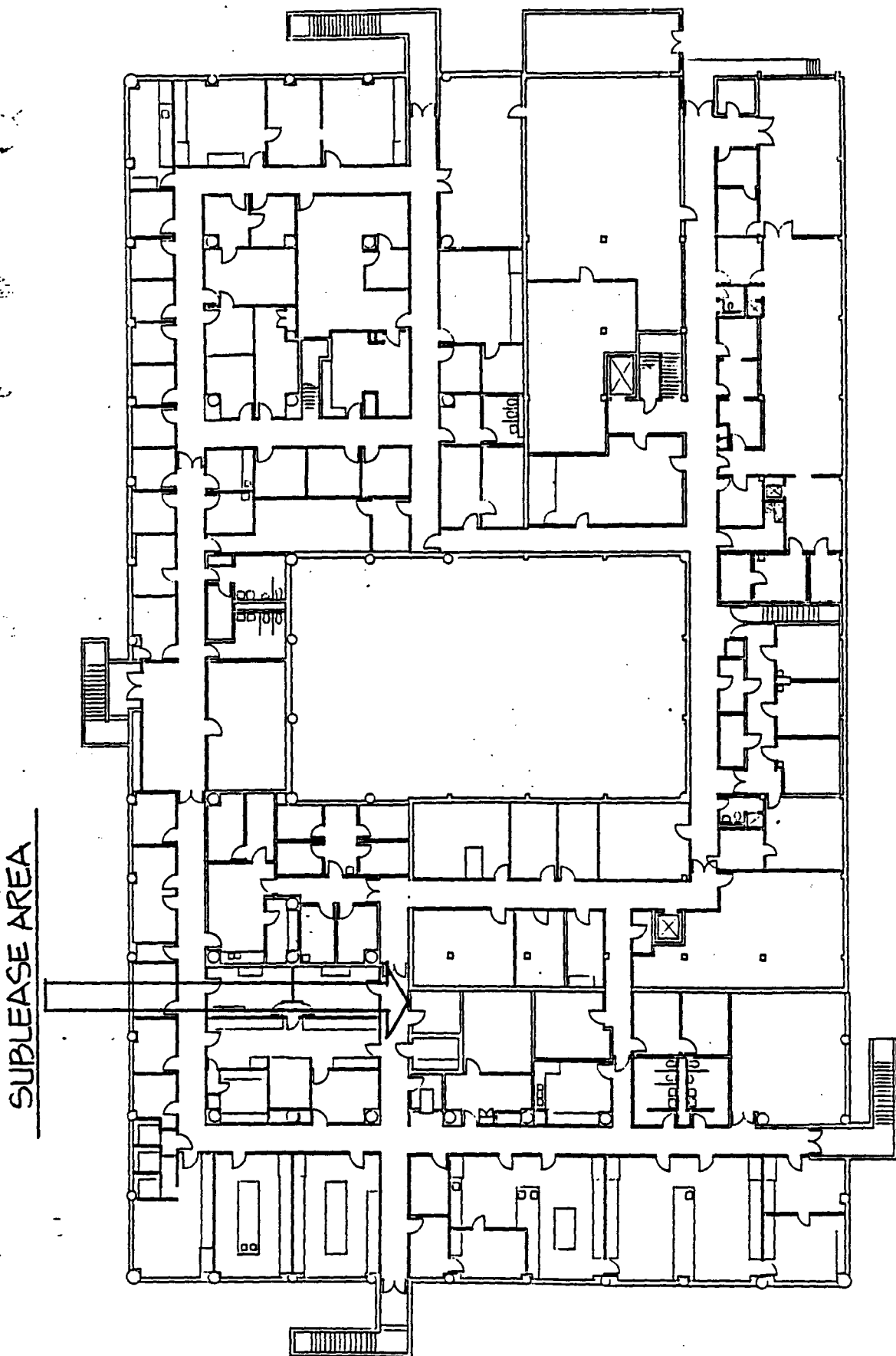
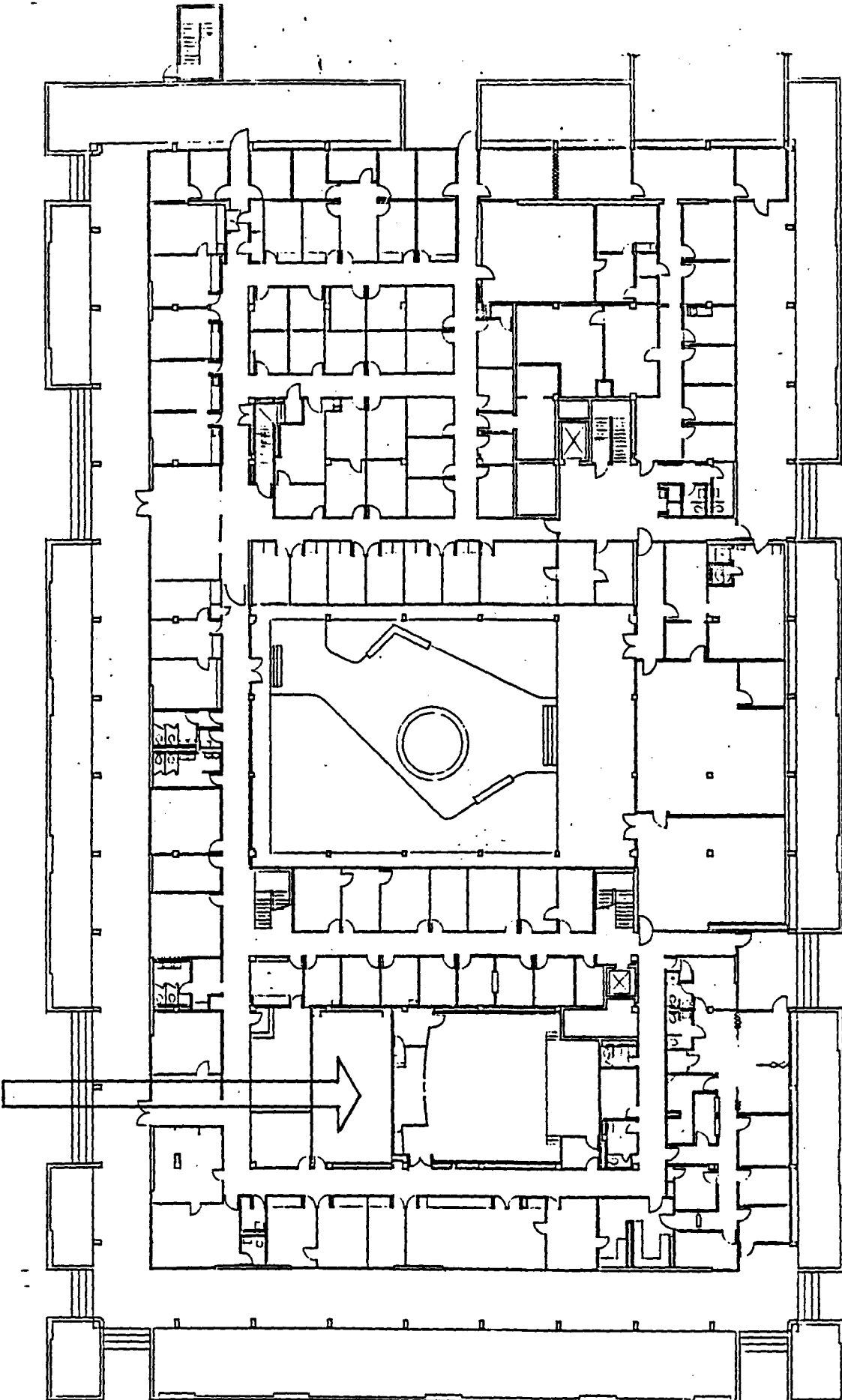


EXHIBIT 3 BASEMENT FLOOR PLAN

SUBLEASE AREA



SUBLEASE AREA

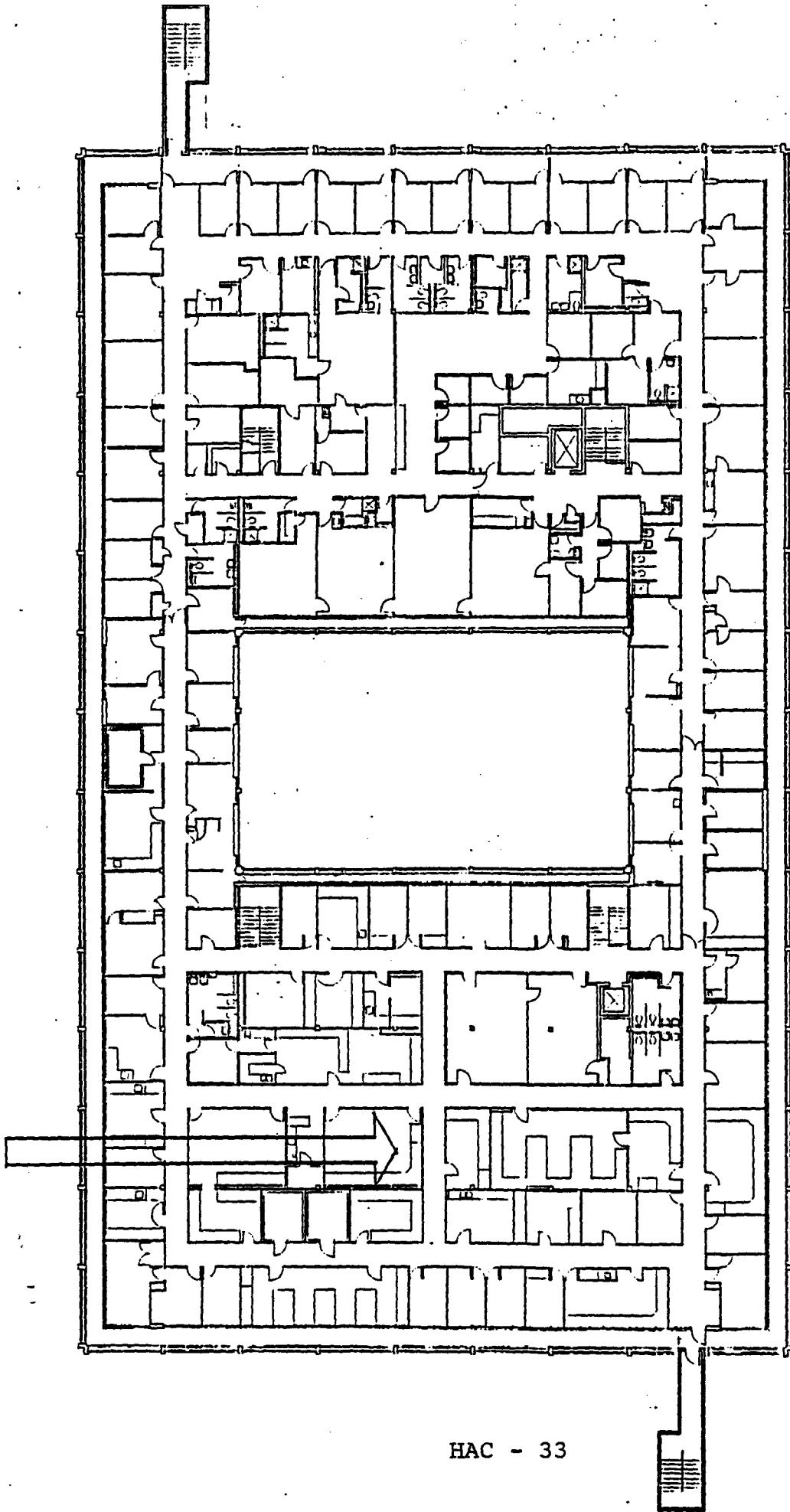


EXHIBIT 3 SECOND FLOOR PLAN MSJ-2

EXHIBIT 3.

DESCRIPTION OF SUBLEASED PREMISES

The subleased premises will be located in the western part of the basement, first and second floor of the building, approximately equally distributed on each floor, and amounting to approximately 42,000 gross square feet.

The sublease premises include offices, laboratories and support areas having painted drywall partitions, resilient floor finishes and lay-in acoustical ceilings. They are provided with light fixtures, heating ventilating and air conditioning and utilities.

EXHIBIT 4.

LIST OF SERVICES TO BE PROVIDED UNDER SUBLEASE

- Access to The University of Texas Center for High Performance Computing, to magnetic resonance imaging equipment, to cyclotron equipment and other available equipment via separate contractual arrangements with UTHSC-H, subject to the Rules and Regulations of the U. T. Board of Regents and other applicable rules and regulations and subject to established changes.
- Committee for protection of human subjects - When research involves the use of humans, the UTHSC-H has an existing committee for the protection of human subjects available for consultation on a no cost basis to the Brain/Neurosciences Research Institute.
- Accounting/purchasing supplies - The staff of UTHSC-H will assist and provide available information relevant in establishment of accounting and purchasing procedures at the Institute.
- Hiring/salaries - Use of the UTHSC-H Pay Plan and job descriptions should be utilized to insure equitable working conditions. The UTHSC-H and Institute agree not to proselyte employees between institutions.
- Insurance, retirement programs, malpractice - The staff of the UTHSC-H will assist and provide available information relevant in establishment of employee benefits at the Institute.
- Maintenance/repair - The staff of the UTHSC-H will provide routine maintenance to the building and grounds at no expense to the Institute. Requested changes to the existing building will be charged at the same standard rates charged to all departments within the UTHSC-H. All modifications to the building will be requested through the UTHSC-H. Additional air conditioning for cooling of computers and other automated equipment is the responsibility of the user and not funded as part of maintenance.
- Utilities - Utility costs will be accessed on the basis of the percent of usable square footage occupied by the Institute proportionally to the total monthly utility expense of the building.
- Security - The UTHSC-H will provide security services at no cost to the Institute.
- Print Shop/audio visual - The UTHSC-H will provide printing and audio visual services to the Institute. The level of services and corresponding costs will be standard as provided to all departments within the UTHSC-H.
- Computer systems - All direct costs of computer services and equipment will be borne by the Institute. Any indirect cost will be allocated on the basis of the percentage of computer resource units consumed to the total cost.
- Environmental safety - Basic safety services will be provided by the staff of the UTHSC-H at no expense to the Institute. Basic services include the servicing of fire extinguishers, response to emergency situations,

consultations, and surveys of the space. Hazardous waste disposal is not included in the basis services.

- Animals - Animal care facilities are available to the Institute at the same standard rates applicable to all departments within the UTHSC-H.
- Library - Library resources available include the Houston Academy of Medicine Library (UTHSC-H is a member) and The University of Texas Mental Science Institute Library.

POLICY ON INTELLECTUAL PROPERTY

THE BRAIN AND NEUROSCIENCES RESEARCH INSTITUTE

1. Statement of Basic Philosophy and Objectives:

While the creation of intellectual property is not the basic primary function of The Brain and Neurosciences Institute (the Institute), it is the objective of the Institute to provide intellectual property policies which will encourage the development of intellectual creations for the best interest of the public, the creator, the Institute, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property, whether by development and commercialization, by publication, or other appropriate actions. The Institute's intellectual property policies are intended to protect the respective interests of all concerned by ensuring that the benefits of such intellectual property accrue to the public, the creator, the Institute and the sponsors of specific research in varying decrees of protection, monetary return and recognition, as circumstances justify or require.

2. General Policies:

2.1 The Institute's intellectual property policies shall apply to all persons and entities employed or retained by the Institute, and anyone using the Institute's time or facilities, and postdoctoral and predoctoral fellows.

2.2 The Institute's intellectual property policies shall apply to the following types of intellectual property:

- a. Information, data, know-how, ideas, procedures, processes, systems, methods of operation, concepts, principles, inventions, discoveries or improvements, all of which can be the subject of intellectual property rights provided by state contract laws and laws of unfair competition (such as, state laws protecting confidential information and trade secrets and providing the right of first publication), and some of which may also be the subject matter of intellectual property rights provided by United States and foreign patent laws; and
- b. Forms of expression of ideas reduced to tangible media of expression and constituting the subject of copyright, thereby becoming subject to the United States copyright laws and giving rise to intangible rights of copyright; and
- c. Names and marks (service marks or trademarks) adopted and used by the Institute in connection with its activities, and registrations thereof, which may be the basis of intellectual property rights protecting the goodwill of the Institute in such names and marks and the registrations thereof.

2.3 It is the intent of the Institute's policies to permit the creator(s) of intellectual property

substantial participation in the revenues, if any, received from the development and commercialization of the types of intellectual property specified in Paragraphs 2.2(a) and (b) above commensurate with the Institute's obligations to the various sponsors, governmental units and entities to whom the Institute otherwise owes obligations with respect to the intellectual property in question. However, the Institute shall be the owner of all worldwide rights, title and interest in and to all names and marks adopted and used by the Institute in connection with its business, activities, goods or services and no individual shall have any intellectual property rights in such names and marks, or any registrations thereof, irrespective of the individual's participation in the selection, adoption, or use by the Institute of such names and marks.

2.4 The Institute will review the intellectual property created by persons governed by these policies to determine whether the intellectual property is subject to the state contract laws and laws of unfair competition and, if so, whether it should be protected as confidential information or a trade secret or whether such intellectual property should be published; to determine if in the intellectual property there exist ideas, concepts, inventions, discoveries or improvements which appear to rise to the level of patentable inventions, and, if so, whether applications for United States or foreign Letters Patent should be filed thereon; to determine whether forms of expression of ideas reduced to tangible media of expression, such as source code for computer programs and works of authorship, have given rise to intangible rights of copyright and, if so, how such rights should best be protected; and to evaluate the protection of the Institute's intellectual property rights in its name and marks.

2.5 It is a basic policy of the Institute that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by nonexclusive licensing, but the public interest in certain circumstances may best be promoted by the grant of a limiting exclusive license or even an exclusive license for the period of a patent. This determination will be recommended and made in accordance with administrative procedures to be hereafter set by the Institute.

3. Classification of intellectual property by degree of Institute involvement:

3.1 Intellectual property which is unrelated to the individual's employment responsibility or the work that he or she has been retained to perform for the Institute and which has been developed as a result of the individual's efforts on his or her own time with no Institute support and no use of the Institute's facilities.

3.2 Intellectual property which is related to the individual's employment responsibilities or the work that he or she has been retained to perform for the Institute or has resulted either from activities performed by the individual on the

Institute's time or with support by or use of the Institute's facilities.

- 3.3 Intellectual property which has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a non-profit or forprofit nongovernmental entity, or a private gift to the Institute.
4. Rights and obligations of individuals with respect to the types of intellectual property specified in Sections 2.2(a) and (b) above:
 - 4.1 Intellectual property unrelated to the individual's employment responsibility or the work he or she was retained to perform for the Institute and was developed on the individual's own time and not on the time of the Institute and without Institute support and without use of the Institute's facilities (intellectual property of the type described in Section 3.1 above):
 - 4.1.1 Such intellectual property shall be the exclusive property of the creator(s), and the Institute shall have no right, title or interest in such intellectual property and no claim to any revenues resulting therefrom. The individual creating this type of intellectual property shall be responsible for determining whether such intellectual property is to be maintained under state laws (contract laws and laws of unfair competition) as confidential information or a trade secret, or whether it should be published, or whether the information rises to the level of a patentable invention and, if so, whether an application for patent should be filed thereon, or, in the case of intellectual property covered by the federal copyright laws, whether the work shall be published without maintaining the intangible rights of copyright therein. Should the individual creator choose to offer the intellectual property to the Institute, the Institute shall evaluate the intellectual property and the rights offered to the Institute and, if it has an interest in obtaining some right, title or interest in and to the intellectual property, the Institute shall negotiate with the individual to structure a relationship for the ownership and development of the intellectual property in a manner which comports with the basic philosophies and objectives of the Institute.
 - 4.2 Intellectual property either related to the individual's employment or retainer responsibilities for the Institute, or which results from activities performed using the Institute's time or with support by the Institute's funds or from using the Institute's facilities (intellectual property of the type described in Section 3.2 above):
 - 4.2.1 Before publishing or disclosing any such intellectual property to third parties not affiliated with the Institute, the creator(s) of such intellectual property shall promptly submit such creations to the Institute in writing. The right of the Institute to analyze the creations before they have been published or otherwise disclosed to third parties is paramount as "publishing" a work covered by the federal copyright laws in certain instances results in the loss of all intangible rights of copyright

therein and the act of describing an invention in a printed publication commences the running of the one year so-called "statute of limitations" in which to file an application for United States letters patent and in many foreign countries destroys absolutely the right to obtain patent protection.

- 4.2.2 The Institute shall be entitled to all worldwide right, title and interest in and to such intellectual property (intellectual property of the type described in Section 3.2 above) and all intellectual property rights flowing therefrom, such as, the right to effect first publication, the right to maintain the information in confidence, the right to file applications for United States and the foreign letters patent thereon, and the intangible rights of copyright provided by the federal copyright laws - - unless the Institute decides to assign all or a portion of its worldwide right, title and interest in and to such intellectual property to the creator(s) as hereinafter provided. It is mandatory that all individuals employed or retained by the Institute who participate in the creation of such intellectual property, whether they be academic or nonacademic individuals, assign all right, title and interest in and to such intellectual property to the Institute when their creations fall within the scope of this Section 4.2. It shall also be mandatory that all such individuals employed or retained by the Institute execute all formal documents necessary to effect such assignment and necessary to allow the Institute to maintain and protect its intellectual property rights.
- 4.2.3 Unless the Institute notifies the creator within 90 days of the date of submission and he or she shall be assigned all or a portion of the worldwide right, title and interest in and to such creation, the Institute will have been deemed to have elected to maintain all of its worldwide right, title and interest therein. In the event that the Institute elects to grant or assign to the creator(s) all or a portion of such rights (such as ownership of the information and the right to determine whether the information will be published or maintained in confidence or whether an application for United States letter patent will be filed thereon), then the individual shall be free to publish, market or transfer the information and all intellectual property rights therein as he or she wishes, and the Institute shall have no further rights, obligations or duties concerning such intellectual property and intellectual property rights therein. It is agreed that in some instances the Institute may elect to impose certain limits or obligations on these rights, depending upon the degree of Institute support that was involved in the creation of the intellectual property.
- 4.2.4 If the Institute elects to maintain its worldwide right, title and interest in and to the intellectual property in question, it shall have the right, in its sole discretion, to determine how best to protect the intellectual property and its rights therein and how to proceed with the development of the intellectual property, including but not limited to, the right to determine whether or not

the information, data, know-how, ideas, concepts or the like shall be maintained in confidence or published, the right to determine if components thereof rise to the level of a patentable invention, and if so, whether applications should be filed for United States or foreign Letters Patent, and, with respect to intellectual property covered by the federal copyright laws, to determine what steps should be taken to maintain the intangible rights of copyright therein. In those situations, the Institute shall proceed either through its own efforts or those of appropriate private firms or attorneys to obtain protection and to manage the intellectual property rights in question.

- 4.2.5 It is the intent of the Institute that there shall be a division between the Institute and the creator(s) of all revenues, royalties or other income received by the Institute, after the costs of protecting the intellectual property (such as, by obtaining United States or foreign Letters Patent) and commercializing (such as, licensing) the intellectual property have first been recaptured. It is the intent of the Institute that such division shall ordinarily be 50% to the Institute and 50% to the creator(s), but it is recognized that such division may be subject to the preexisting obligations of the creator(s) to other entities which sponsor the Institute or with which the creator is affiliated. Therefore, in the absence of preexisting obligations of the creator(s) to another entity, such division shall be 50% to the Institute and 50% to the creator(s). If the creator(s) owe preexisting obligations to other entity which requires that such other entities are entities to some right, title or interest in intellectual property conceived, created or developed by the individuals while employed or retained by the Institute, the Institute shall attempt to negotiate an agreement with such other entities that the intellectual property shall be owned by the Institute and that the division of royalties, revenues or income derived from the intellectual property shall be among the Institute and the creator(s). In connection with those negotiations the Institute shall be empowered to grant to the other entity a perpetual, royalty-free, nonexclusive, nontransferable right and license to use (but not to sell, license or otherwise market) the intellectual property in question, as well as to all of the Institute's intellectual property. Further, in connection with those negotiations, the Institute shall be empowered to agree to a different division of royalties, revenues or income between the Institute and the creator(s), but the Institute is not empowered to agree to a division which results in the creator(s) being entitled to receive more than 50% of such royalties, revenues or income, and the Institute shall not, except where absolutely necessary, agree to a division which results in the creator(s) being entitled to receive less than 25% of such royalties, revenues or income.

- 4.3 Intellectual property resulting from research supported by a grant or contract with the Federal Government, or an agency thereof, with a nonprofit or forprofit nongovernmental entity, or by a private gift to the Institute (intellectual

property of the type described in Section 3.3 above):

- 4.3.1 Administrative approval of application requests to, and acceptance of grants or contracts with, the Federal Government, or any agency thereof, with a nonprofit or forprofit nongovernmental entity, or a private donor that contain provisions that are not consistent with this policy, or other policies and guidelines adopted by the Board from time to time implies a definite decision that the value to the Institute of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions of the grant or contract on the basic intellectual property policies of the Institute.
- 4.3.2 The intellectual property policies of the Institute are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in Federal grants and contracts, or grants and contracts with nonprofit and forprofit nongovernmental entities or private donors, to the extent of any conflict.
- 4.3.3 In those instances where it is possible to negotiate intellectual property agreements with the Federal agencies or nonprofit and forprofit nongovernmental entities, or private donors and thereby obtain more favorable treatment for the creator(s) and the Institute, an effort will be made to do so.
- 4.3.4 Employees of the Institute whose intellectual property creations result from a grant or contract with the Federal Government, or any agency thereof, with a nonprofit or forprofit nongovernmental entity, or by private gift to the Institute shall make such assignment of such creations as is necessary in each case in order that the Institute may discharge its obligation, expressed or implied, under the particular agreement.

5. U. T. Health Science Center - Houston and U. T. Cancer Center: Recommendation for Approval of Affiliation Agreement with American Medical International, Inc., of Los Angeles, California, American Medical (Central), Inc., of Houston, Texas, and Citizens General Hospital, Inc., of Houston, Texas, for the Establishment of the Institute for Immunological Disorders.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Bulger and President LeMaistre that the U. T. Board of Regents:

- a. Agree to the provisions, terms, and conditions of the Affiliation Agreement as set out on Pages HAC 46 - 78, subject to its execution by the Chairman of the Board
- b. Authorize the Executive Vice Chancellor for Health Affairs to make necessary changes thereto so long as they are not substantial, and instruct him to return to the Board for approval of substantial changes.

BACKGROUND INFORMATION

At the February 1986 meeting, the U. T. Board of Regents agreed in principle to a relationship with American Medical International, Inc., and authorized the Executive Vice Chancellor for Health Affairs and the Office of General Counsel to enter into negotiations, within certain parameters, concerning support of an institute for immunological and infectious disorders. The recommended Affiliation Agreement represents the results of those negotiations.

The following summarizes the contents of the referenced agreement.

EXECUTIVE SUMMARY

NAME:

The institute will be named the "Institute for Immunological Disorders" (Institute).

FACILITIES, ORGANIZATION, AND GOVERNANCE:

Citizens General Hospital, Inc., (CGH) a wholly-owned subsidiary of American Medical (Central), Inc., (AMC), which in turn is a wholly-owned subsidiary of American Medical International, Inc. (AMI), will retain ownership of the 150-bed hospital facilities. CGH will be responsible for remodeling the facilities for the Institute and for the day-to-day operation and management of the facilities. The U. T. Board of Regents, or its authorized representatives (the Executive Vice Chancellor for Health Affairs, the President of U. T. Health Science Center - Houston, and the President of U. T. Cancer Center), will have the right to participate in policy formulation for the Institute as well as have the right to inspect the operating and financial records of the Institute. There will be a Joint Conference Committee and an Operations Review Committee.

MISSION:

The Institute's mission is: "As soon as possible, given the necessary resources, the standard of patient care, health professional education, research, and public education conducted at the Institute for Immunological Disorders will become comparable to that of the best institutes of its kind in the United States for patients with immunological or infectious disorders."

STANDARDS OF PERFORMANCE:

The Institute will be operated in accordance with the standards of the Joint Commission on the Accreditation of Hospitals.

ADMISSION, TRANSFER, AND DISCHARGE OF PATIENTS:

AMI, AMC, CGH, and the U. T. Board of Regents by this Affiliation Agreement will have established that, except in emergencies, only patients who have been referred by their physicians, or who present themselves, will be eligible for treatment. Those who are admitted will be treated and will be available for teaching and research purposes whenever reasonably and legally possible. In emergencies, persons will be treated in accordance with Texas law. Referred patients will be referred back to their referring physicians upon discharge. The policies related to admission, transfer, and discharge, including those policies described below under nondiscrimination and indigent care, may be changed only with the approval of the U. T. Board of Regents.

NONDISCRIMINATION:

No person shall be denied admission to available facilities on the basis of his or her race, color, ethnicity, religion, creed, sex, sexual orientation, age, national origin, mental or physical handicap, or other class basis protected by law.

INDIGENT CARE:

Indigent care shall be rendered to patients at the Institute in accordance with the Indigent Care Plan; and, to the extent that it is consistent thereto, no patient shall be denied admission to the Institute on the basis of economic status. No person once admitted shall be transferred or discharged on the basis of his or her inability to pay. Under the Indigent Care Plan, AMI, AMC, and CGH have agreed to provide, for care of the indigent for fiscal year September 1, 1986, through August 31, 1987, \$250,000 or 10% of the Institute's pre-tax income, whichever is greater; and for each fiscal year thereafter, \$500,000 or 10%, whichever is greater. In emergency situations, the Medical Director may grant exceptions to these limits. In other situations, the Medical Director and the Institute Administrator may jointly exercise the discretion to admit indigent patients beyond these limits. If there is a disagreement, the CGH Board of Directors may make the final decision.

STAFFING:

U. T. Health Science Center - Houston and U. T. Cancer Center shall assign to the Organized Medical and Research Staff of the Institute a sufficient number of qualified physicians, who are members of the faculties, to provide, direct, and supervise medical services to all patients of the Institute. CGH shall appoint the Medical Director and the Institute Administrator for the Institute with the concurrence of the Presidents of U. T. Cancer Center and U. T. Health Science Center - Houston. The initial Medical Director will be Peter W. A. Mansell, M.D., of U. T. Cancer Center. CGH will be responsible for all

other staffing. CGH will try first to contract with U. T. Cancer Center or U. T. Health Science Center - Houston for professional medical consultation support services before going to others. The Organized Medical and Research Staff will be governed by Bylaws and by Rules and Regulations of CGH that will have been approved in advance by the Executive Vice Chancellor for Health Affairs.

RESEARCH:

Research projects to be conducted at the Institute will be reviewed by the institutional review boards of either U. T. Cancer Center or U. T. Health Science Center - Houston. The Medical Director shall always be consulted.

INTELLECTUAL PROPERTY:

The Intellectual Property Policy of the U. T. Board of Regents shall govern the intellectual property rights of the members of the faculties at the Institute. Any remuneration will be split in accordance with the present policy between faculty and the U. T. Board of Regents. The U. T. Board of Regents agrees to use its part of the remuneration, after deduction of expenses and other specified costs, for research and indigent care at the Institute. Upon termination of the Affiliation Agreement or upon closing of the Institute, the parties will determine a mutually acceptable disposition of remaining intellectual property.

COMPENSATION AND FEES:

CGH will agree to compensate the U. T. Board of Regents, U. T. Cancer Center and U. T. Health Science Center - Houston for the provision of the medical and research staff in accordance with a Plan for Compensation and Fees, to be approved by the Executive Vice Chancellor for Health Affairs prior to the execution of the Affiliation Agreement by the Chairman of the U. T. Board of Regents.

TERM AND TERMINATION:

The initial term of the Affiliation Agreement begins on the day the Institute is open to admit patients with immunological or infectious disorders and ends on September 1, 1996. The term is automatically renewable for two year terms thereafter unless prior written notice of cancellation is given.

The Affiliation Agreement may not be terminated by any of the parties for the first five years, except by mutual agreement or by the occurrence of two events: (1) CGH is unable to operate the Institute on a sound financial basis, taking into account that AMI, AMC, and CGH are receiving positive humanitarian recognition and are making important research contributions; and (2) Peter W. A. Mansell, M.D., is unavailable or unable to continue in his capacity as Medical Director and CGH and the U. T. Board of Regents are unable to agree on a successor.

INSTITUTE
FOR
IMMUNOLOGICAL
DISORDERS

AFFILIATION AGREEMENT

AMERICAN MEDICAL
INTERNATIONAL, INC.

AMERICAN MEDICAL (CENTRAL), INC.

CITIZENS GENERAL HOSPITAL, INC.

THE BOARD OF REGENTS OF
THE UNIVERSITY OF TEXAS
SYSTEM ON BEHALF OF THE
UNIVERSITY OF TEXAS HEALTH
SCIENCE CENTER AT HOUSTON
AND THE UNIVERSITY OF
TEXAS SYSTEM CANCER CENTER

JUNE 1986

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Exhibit 8: Authorized Representatives

AFFILIATION AGREEMENT

THIS AFFILIATION AGREEMENT, made and entered into on the _____ day of June, 1986, by and among American Medical International, Inc., (AMI), a for-profit corporation, incorporated under the laws of the State of Delaware; American Medical (Central), Inc., (AMC), a for-profit corporation, incorporated under the laws of the State of California; Citizens General Hospital, Inc. (CGH), a for-profit corporation, incorporated under the laws of the State of Texas; and the Board of Regents of The University of Texas System (U. T. Board of Regents), on behalf of its component institutions: The University of Texas Health Science Center at Houston (UTHSC-H) and The University of Texas System Cancer Center (UTSCC),

WITNESSETH:

RECITALS

WHEREAS, immunological and infectious disorders have become substantial threats to the health, well-being, and lives, and, most recently, the cause of death in alarming and increasing numbers of persons in Texas, in the United States, and in the world, and

WHEREAS, presently the most deadly of such disorders, with no known cure and with the potential to devastate all the peoples of the world, is the disorder known as Acquired Immune Deficiency Syndrome (AIDS), and

WHEREAS, AMI is one of the leading international health care services companies, with hospitals and health care centers in over 20 states of the United States of America and in over 12 foreign countries, and

WHEREAS, AMI wholly owns American Medical (Central), Inc. (AMC); AMC wholly owns Citizens General Hospital, Inc. (CGH); and CGH owns and operates Citizens General Hospital in Houston, Texas, and

WHEREAS, the U. T. Board of Regents has established, pursuant to Texas law, patient care, education, and research as the three primary missions for its component health institutions, and

WHEREAS, two of The University of Texas System health institutions in Houston, Texas, are The University of Texas Health Science Center at Houston and The University of Texas System Cancer Center, and

WHEREAS, both AMI and the U. T. Board of Regents are dedicated to discovering cures for immunological and infectious disorders, particularly for AIDS, and

WHEREAS, AMI is committed to converting the Citizens General Hospital into exemplary facilities capable of housing an institute for the purposes of (a) treatment of patients with immunological or infectious disorders; (b) education of persons desiring the opportunity to learn about such disorders; and (c) research into the causes, advantageous treatments, and possible cures of such disorders, and

WHEREAS, AMI, AMC, and CGH desire to establish an institute to be named the "Institute for Immunological Disorders" with medical and research scientist staff having faculty appointments at component institutions of The University of Texas System, and

WHEREAS, AMI has pledged \$1 million to the Foundation for Immunological Disorders, a Texas nonprofit foundation dedicated to supporting the research efforts of the Institute for Immunological Disorders and similar institutes, facilities and programs through grants and other means, and

WHEREAS, AMI, AMC, and CGH desire to affiliate with the U. T. Board of Regents to achieve AMI's above stated purposes by contractual agreement with The University of Texas System

Health Science Center at Houston and The University of Texas System Cancer Center, and

WHEREAS, the U. T. Board of Regents desires to affiliate with AMI, AMC, and CGH to facilitate the accomplishment of its above stated missions for its component institutions,

NOW, THEREFORE, IT IS MUTUALLY AGREED AS FOLLOWS:

Part I: NAME OF INSTITUTE, EXHIBITS, DEFINITIONS

Section 1. Name of Institute

The facility currently named Citizens General Hospital shall be renamed the Institute for Immunological Disorders. Throughout this Agreement, it shall be referred to as the Institute.

Section 2. Exhibits

Incorporated into this Affiliation Agreement and made a part hereof for all purposes as if recited verbatim or described fully and completely are the following exhibits:

- Exhibit 1: Facilities of the Institute
- Exhibit 2: Plan of Remodeling
- Exhibit 3: List of Patient Services
- Exhibit 4: Bylaws of Citizens General Hospital, Inc.
- Exhibit 5: Indigent Care Plan
- Exhibit 6: Medical Malpractice Plan
- Exhibit 7: Intellectual Property Policy
- Exhibit 8: Authorized Representatives

Section 3. Definitions

The following definitions apply throughout this Affiliation Agreement unless expressly indicated otherwise or unless the context indicates another meaning:

"Authorized representatives" mean those person authorized in writing by AMI, AMC, CGH, and U. T. Board of Regents to take such actions as are necessary under this Affiliation Agreement.

"AMI" means American Medical International, Inc., a for-profit corporation, organized and incorporated under the laws of the State of Delaware, with principal headquarters located at 414 North Camden Drive, Beverly Hills, California, or its authorized representatives.

"AMC" means American Medical (Central), Inc., a wholly-owned subsidiary of AMI, and a for-profit corporation, organized and incorporated under the laws of the State of California, with principal headquarters located at 414 North Camden Drive, Beverly Hills, California, 90210, or its authorized representatives.

"CGH" means Citizens General Hospital, Inc., a wholly-owned subsidiary of AMC, and a for-profit corporation, organized and incorporated under the laws of the State of Texas, with principal headquarters located at 7407 North Freeway, Houston, Texas, 77076, or its authorized representatives.

"Effective Date" means the date CGH opens the Institute for admissions of patients.

"Organized Medical and Research Staff" means the medical doctors and research scientists organized at the Institute in accordance with the Bylaws of the Organized Medical and Research Staff.

"U. T. Board of Regents" means the Board of Regents of The University of Texas System, a state agency of the State of Texas, with offices located at 201 West Seventh Street, Austin, Texas, or its authorized representatives.

"UTHSC-H" means The University of Texas Health Science Center at Houston, a component, health institution of The University of Texas System, with offices located at 1100 Holcombe, Houston, Texas, or its authorized representatives.

"UTSCC" means The University of Texas System Cancer Center, M. D. Anderson Hospital and Tumor Institute, a component, health institution of The University of Texas System, with offices located at 6723 Bertner Avenue, Houston, Texas, or its authorized representatives.

Part II: ORGANIZATION OF INSTITUTE

Section 4. Ownership of Facility

The facilities of the Institute as described in Exhibit 1, are owned by CGH.

Section 5. Governance of Institute

- (a) AMI, AMC, CGH, and U. T. Board of Regents agree that the Board of Directors of CGH shall at all times exercise ultimate control over the affairs of the Institute, that the Board of Directors of CGH shall establish general operating policies to be carried out under this Agreement, and that the Board of Directors of CGH shall be responsible to the extent required by law for the operations of the Institute. CGH shall perform the specific duties and services to be performed by it under this Agreement and agrees to perform such duties and services in a reasonable manner.
- (b) AMI, AMC, CGH, and U. T. Board of Regents agree (1) that U. T. Board of Regents shall have the right to review periodically operating decisions made by CGH; (2) that U. T. Board of Regents shall have the right to recommend changing, repealing, or altering policies adopted by the Board of Directors of CGH concerning operation of the Institute and to participate in the formulation of new policies relating to professional services and research activities; and (3) that, in order to provide U. T. Board of Regents with an informed basis for reviewing the Institute's performance hereunder, CGH shall make available for inspection upon request to U. T. Board of Regents, or its authorized representatives, from time to time operating and financial records of the Institute.
- (c) Except as to those matters provided for in Sections 14 and 15, below, CGH may make changes in the operational policies of the Institute with prior consultation with the Institute's Medical Director and, when reasonably possible with the President of UTHSC-H, the President of UTSCC, or their designees.

Section 6. Medical Matters

All medical matters shall be initially reviewed by the Medical Director of the Institute and the Organized Medical and Research Staff.

Part III: FACILITIES

Section 7. Facilities

CGH shall provide the facilities, as listed at Exhibit 1, to the Institute for use consistent with the mission of the Institute, as provided for in Section 10, below.

Section 8. Remodeling

CGH shall remodel the facilities in accordance with the Plan of Remodeling as provided in Exhibit 2.

Section 9. Repairs, Maintenance, and Replacement

CGH shall repair the facilities and maintain them throughout the term of this Agreement and shall replace equipment that no longer can be reasonably used for their intended purposes during the term of this Agreement.

Part IV: INSTITUTE

Section 10. Mission

AMI, AMC, CGH, and U. T. Board of Regents agree that the Institute for Immunological Disorders shall have the following as its statement of Mission:

Mission of Institute

As soon as possible, given the necessary resources, the standard of patient care, health professional education and research, and public education conducted at the Institute for Immunological Disorders will become comparable to that of the best institutes of its kind in the United States for patients with immunological or infectious disorders.

Section 11. CGH's Management Objectives

As owner of the Institute facilities and as manager of the operations of the Institute, CGH shall have the following management objectives consistent with the mission of the Institute:

- (1) to manage and administer the operations of the Institute in a competent manner and to be responsive to the needs of the Institute, the Institute's patients, and the Organized Medical and Research Staff;
- (2) to staff the Institute in such a manner as to fulfill and support the mission of the Institute;

- (3) to operate the Institute on a sound and profitable financial basis;
- (4) to establish effective financial, accounting and reporting systems, adequate internal controls, effective budgeting procedures, efficient billing and collection systems, and policies to assure the businesslike management of the cash resources of the Institute; and
- (5) to assure that the Institute enjoys an excellent public image.

Section 12. Standards of Performance

AMI, AMC, CGH, and U. T. Board of Regents agree that the Institute shall be operated in accordance with the standards of performance promulgated for hospitals by the Joint Commission on the Accreditation of Hospitals.

Section 13. Patient Services

The Institute shall provide its patients those services listed on Exhibit 3.

Section 14. Patient Admissions

- (a) Except in emergencies, only those persons who have been referred by their physicians, or who present themselves, and who give their written, informed consent to the provision of the Institute's patient services shall be eligible for treatment and all persons admitted to the Institute shall be treated and be available and suitable for teaching and research purposes whenever reasonably and legally possible. In emergencies, persons shall be treated in accordance with Texas law.
- (b) CGH shall obtain in conjunction with the patient's treating physician the written, informed consent to treatment of the Institute's patients together with all necessary documentation for research protocols.
- (c) Persons who want to be admitted to the Institute shall provide to the Institute's admissions office such information as the policies of the Institute shall require and shall request to be placed upon the Institute's list of patient applicants.
- (d) No person shall be denied admission to available facilities on the basis of his or her race, color, ethnicity, religion, creed, sex, sexual orientation, age, national origin, mental or physical handicap, or other class basis protected by law.
- (e) Indigent care shall be rendered to patients at the Institute's facilities in accordance with the Indigent Care Plan, attached hereto as Exhibit 5; and, to the extent that it is consistent with the Indigent Care Plan, no patient shall be denied admission to the Institute's facilities on the basis of economic status.
- (f) No person once admitted shall be discharged or transferred on the basis of his or her inability to pay for the patient services ordered by the Medical Director of the Institute or the patient's attending physician.

- (g) The admissions office shall maintain a waiting list, as necessary.
- (h) All other factors being equal and to the extent reasonably and legally possible, persons who are candidates for research investigations of immunological or infectious disorders shall be the first persons admitted.
- (i) The Medical Director, or designee, in conjunction with the patient's attending physician, shall make the final decision on admission; provided that all such decisions shall be consistent with the Institute's other admission policies.
- (j) The patient admission policies provided for in this Section may be amended, but only in writing, and any amendment shall not be effective until approved by AMI, AMC, CGH and the U. T. Board of Regents.

Section 15. Patient Transfer and Discharge Policy

- (a) Subject to the Institute's policies regarding voluntary transfer and discharge, the Medical Director of the Institute, or a designee, together with the patient's attending physician shall make the final decision on a patient's transfer or discharge.
- (b) Patients needing care or treatment not provided by the Institute, or for longer periods of time than research protocols may call for, may be transferred in accordance with policies of the Institute concerning transfers of patients to other facilities that have indicated their willingness to admit them, by written affiliation agreements where possible. Patients may not be transferred when services are available at the Institute unless at the request of the patient.
- (c) Referred patients being discharged from the facilities shall be referred back to their referring physician.
- (d) The patient transfer and discharge policies provided for in this Section may be amended, but only in writing, and any amendment shall not be effective until approved by AMI, AMC, CGH and the U. T. Board of Regents.

Section 16. Confidentiality of Patient Records

To the extent allowable under law, the Institute shall protect the confidentiality of all its patients' records, those of persons applying for admission to the Institute, and the records of the Institute itself. The Institute shall comply with all applicable federal, state, and local laws. The Institute shall maintain sufficient records to demonstrate compliance with any and all applicable accreditation standards.

Section 17. Responsibilities of AMI, AMC, and CGH

- (a) For purposes of this Affiliation Agreement, AMI shall cause AMC to cause CGH to act as follows, and CGH:
 - (1) shall continue its ownership of the Facilities of the Institute as provided in Section 4, and shall file all necessary legal instruments to do business under the name: "Institute for Immunological Disorders";

- (2) shall seek, at all times during the Term of this Affiliation Agreement, to fulfill the mission of the Institute;
- (3) shall seek, at all times during the Term of this Affiliation Agreement, to meet the management objectives provided for in Section 11;
- (4) shall adopt Rules and Regulations for the Institute and Bylaws for the Organized Medical and Research Staff after they have been approved by the Executive Vice Chancellor for Health Affairs of The University of Texas System, or his designee;
- (5) shall remodel the Facilities in accordance with the Plan of Remodeling;
- (6) shall repair and maintain the Facilities and replace equipment as provided in Section 9;
- (7) shall manage and operate the Institute subject to the provisions of this Affiliation Agreement;
- (8) shall cause the Institute at all times during the Term of this Affiliation Agreement to perform its services in accordance with the standards provided for in Section 12;
- (9) shall cause the Institute to provide the patient services listed at Exhibit 3;
- (10) shall cause prospective patients to be admitted to the Institute in accordance with the provisions of Section 14;
- (11) shall cause patients to be discharged or transferred only as provided in Section 15;
- (12) shall maintain records as provided in Section 16;
- (13) shall establish an office of community relations and public education within the Institute as provided in Section 19;
- (14) shall participate in the Joint Conference Committee, as provided in Section 23;
- (15) shall participate in the Operations Review Committee, as provided in Section 24;
- (16) shall, to the extent mutually agreeable, comply with all reasonable requirements for UTHSC-H and UTSCC to maintain accreditation of any and all education programs related to the Institute;
- (17) shall identify and provide for all staff, other than the Organized Medical and Research staff, necessary to accomplish the Institute's mission;
- (18) may enter into Program Agreements with UTHSC-H and UTSCC for student educational experiences;
- (19) shall provide for any and all fiscal matters reasonably necessary to operate the Institute, subject to the provisions of Sections 32 through 35; provided, however, that nothing herein shall obligate AMI, AMC, CGH, U. T. Board of Regents, UTHSC-H, or UTSCC to incur any liability or expense with respect to the Institute except as otherwise

expressly provided for under this Affiliation Agreement;

- (20) shall hold U. T. Board of Regents, U. T. System, UTHSC-H, and UTSCC, their members, officers, and employees harmless, and indemnify them against losses as provided in Section 37;
 - (21) shall obtain and keep in force insurance as provided in Section 37;
 - (22) shall, in all respects, comply with the provisions of this Affiliation Agreement; and
 - (23) shall take any and all other necessary actions to accomplish the mission of the Institute, consistent with the policies of AMI, AMC and CGH.
- (b) Subject to the provisions of Section 41, below, AMI shall contribute \$1 million in annual installments of \$250,000 over a four-year period to the Foundation for Immunological Disorders as seed money for supporting research activities of the Institute done by full-time faculty of UTHSC-H or UTSCC.
- (c) AMI agrees to cause AMC and CGH to perform all of their obligations and duties under this Affiliation Agreement and, to the extent that AMC or CGH fail to perform, AMI shall perform said obligations and duties to the extent required hereunder.

Section 18. Responsibilities of U. T. Board of Regents

For purposes of this Affiliation Agreement, U. T. Board of Regents:

- (1) shall itself support and cause, at all times during the Term of this Affiliation Agreement, its component institutions, UTHSC-H and UTSCC, to support to the fullest extent permitted by law and the Rules and Regulations of the Board, CGH in the fulfillment of the mission and management objectives of the Institute;
- (2) may delegate to UTHSC-H and UTSCC all necessary authority to fully perform the responsibilities of U. T. Board of Regents under this Affiliation Agreement;
- (3) shall nominate a member of the full-time faculty of UTHSC-H or UTSCC as Medical Director of the Institute;
- (4) shall assign to the Organized Medical and Research Staff of the Institute a sufficient number of qualified physicians, who are members of the faculty of UTHSC-H or of UTSCC, to provide, direct, and supervise medical services to all patients of the Institute;
- (5) shall, through the Executive Vice Chancellor of Health Affairs for The University of Texas System, or his designee, approve the Rules and Regulations of CGH as they relate to the Institute and approve the Organized Medical and Research Staff Bylaws for the Organized Medical and Research Staff;

- (6) shall establish or facilitate the use of present UTHSC-H and UTSCC institutional review boards to provide any and all necessary reviews and protocols for research projects;
- (7) shall cause its employees, officers, and agents to participate as necessary in the Institute's Joint Conference Committee and Operations Review Committee;
- (8) shall cause UTHSC-H and UTSCC to maintain, respectively, accreditation for their education and research programs that are provided in relation to the Institute;
- (9) shall assist CGH in the development of all contractual matters, related to the operation of the Institute, that require the involvement of UTHSC-H or UTSCC;
- (10) shall assist CGH in the legal responses, related to the Institute, that may arise due to this Affiliation Agreement;
- (11) shall maintain and keep in force a medical malpractice plan, a copy of which is set forth as Exhibit 6, for the medical staff supplied by UTHSC-H or UTSCC who are assigned by either to the Institute;
- (12) shall, in all respects, comply with the provisions of this Affiliation Agreement; and
- (13) shall take any and all other necessary actions, consistent with its Rules and Regulations, and this Affiliation Agreement, to assist CGH in the fulfillment of the mission and management objectives of the Institute.

Section 19. Office of Community Relations and Public Education

CGH and U. T. Board of Regents mutually agree that the success of the Institute may depend in great part upon the way in which the Institute relates to and educates the communities in which the Institute will exist. CGH shall establish within the Institute an Office of Community Relations and Public Education for the purpose of establishing and maintaining for the Institute an excellent relationship with the public at large. The person assigned by CGH to the Office shall be responsible for a full and ongoing program of public education involving immunological and infectious disorders.

Section 20. Medical Director

- (a) CGH shall appoint, with the concurrence of the President of UTHSC-H and the President of UTSCC, a medical director of the Institute who shall serve as chairman of the Organized Staff. The Medical Director shall be a member of the faculty of UTHSC-H or a member of the faculty of UTSCC. The appointment shall continue unless and until CGH, the President of UTHSC-H, or the President of UTSCC withdraws approval of the appointment.
- (b) The initial Medical Director shall be Peter W. A. Mansell, M. D.

Section 21. Institute Administrator

CGH shall appoint, with the concurrence of the President of UTHSC-H and the President of UTSCC, an institute administrator who shall act as the chief executive officer of the Institute. The appointment shall continue unless and until CGH withdraws its approval. In the event either the President of UTHSC-H or the President of UTSCC requests that CGH withdraw its approval, CGH agrees that it will withdraw its approval of the Institute Administrator upon presentation of compelling facts or reasons for withdrawal of approval.

Section 22. Cooperation

AMI, AMC, CGH, and U. T. Board of Regents recognize the interdependent relationship among AMI, AMC, CGH, U. T. Board of Regents, UTHSC-H, and UTSCC, in carrying out the provisions of this Affiliation Agreement, and agree that there shall be consultation and good faith cooperation among all persons representing AMI, AMC, CGH, and U. T. Board of Regents.

Section 23. Joint Conference Committee

- (a) CGH shall appoint a Joint Conference Committee of the Board of Directors of CGH to recommend to the entire Board of CGH policies concerning matters affecting the Institute, other than its management, and, in this connection, to act as liaison between CGH and the Organized Medical and Research Staff.
- (b) The Joint Conference Committee shall consist of the following eight persons:
 - (1) four persons who shall be members of the Board of Directors of CGH; and
 - (2) four members of the active Organized Medical and Research Staff.
- (c) In addition, the following persons shall serve as ex officio members of the Joint Conference Committee:
 - (1) the Dean of the UTHSC-H Medical School;
 - (2) the Medical Director of the Institute; and
 - (3) the Institute Administrator.
- (d) The Joint Conference Committee shall meet regularly prior to the meetings of CGH's Board of Directors or upon call of Chairman of CGH's Board of Directors.

Section 24. Operations Review Committee

- (a) An Operations Review Committee shall be appointed by CGH, UTHSC-H, and UTSCC to recommend policies to CGH affecting the management of the Institute, and in this connection, act as liaison among AMI, AMC, CGH, UTHSC-H, UTSCC, and the Institute.
- (b) The Operations Review Committee shall consist of the following five persons:
 - (1) the President of CGH, or a designee;

- (2) the Medical Director of the Institute;
 - (3) the President of UTHSC-H, or a designee;
 - (4) the President of UTSCC, or a designee; and
 - (5) the Institute Administrator.
- (c) The Operations Review Committee shall meet regularly or upon the call of the Medical Director or the Institute Administrator.

Section 25. Institute Staffing

- (a) CGH shall identify and provide for all staff, other than the Organized Medical and Research Staff.
- (b) CGH and U. T. Board of Regents agree that before CGH may appoint a medical practitioner to the Organized Medical and Research Staff of the Institute, the medical practitioner must first have obtained an appointment to the faculty of UTHSC-H or UTSCC; and that the processes of appointment to the Institute's Organized Medical and Research Staff shall be those provided for in the Bylaws of the Organized Medical and Research Staff.
- (c) The Medical Director in consultation with the Presidents of UTHSC-H and UTSCC, or their respective designees, shall make all decisions relative to the following matters:
 - (1) recommendations to CGH concerning its final appointments to the Organized Medical and Research Staff;
 - (2) recommendations to CGH concerning the number of health professional students and residents assigned to the Institute provided that such are consistent with the provisions of Section 31; and
 - (3) recommendations to CGH concerning teaching and research assignments in the Institute.

Section 26. Professional Clinical Consultation and Support Services

CGH agrees to contract with UTHSC-H or UTSCC, or both, for the provision of all hospital-based physicians and other clinical services requiring physician input, except for those covered by the Plan for Compensation and Fees as provided for in Section 35; provided that:

- (a) the UTHSC-H or UTSCC physicians providing the services are recognized specialists;
- (b) the fees charged by the physicians are reasonable and customary;
- (c) the physicians are acceptable to CGH; and
- (d) the physicians execute a written contract previously approved by the Office of General Counsel of The University of Texas System for the provision of such services.

Section 27. Joint Contracting

Nothing contained in this Affiliation Agreement shall prohibit additional agreements providing for joint contracting with physicians and other personnel and for the pro rata apportionment of their salaries.

Section 28. Research

Research projects proposed to be conducted with Institute patients shall be reviewed by the Institutional Review Boards (IRB) of UTHSC-H or UTSCC prior to their commencement. Once approved by an IRB, the research project shall be conducted at the Institute in consultation with the Institute's Medical Director. If mutually agreeable to CGH and U. T. Board of Regents, or the Executive Vice Chancellor for Health Affairs, an IRB may be established at the Institute for review of Institute research projects.

Section 29. Accreditation

Any and all educational experience programs, courses, or research projects shall be conducted in compliance with applicable accreditation standards.

Section 30. Uses of Names, Intellectual Property, and Licenses

(a) Use of Names

- (1) The names "Board of Regents of The University of Texas System," "The University of Texas Health Science Center at Houston," "The University of Texas System Cancer Center," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by AMI in any advertisement, prospectus, or solicitation materials, without prior written approval of the full text of the material by U. T. Board of Regents or its authorized representatives.
- (2) The names "American Medical International, Inc.," "AMI," "American Medical (Central), Inc.," "AMC," "Citizens General Hospital, Inc.," "Citizens General Hospital", "Institute for Immunological Disorders," and any abbreviated forms thereof, as well as logos, or any other symbols of these entities, may not be used in any way by U. T. Board of Regents, UTHSC-H, or UTSCC, in any advertisement or prospectus, without prior written approval of the full text of the materials by AMI, AMC, or CGH, respectively, or by their authorized representatives.

- (b) The Intellectual Property Policy of U. T. Board of Regents, as set out in Exhibit 7, and amendments thereto, shall govern the intellectual property rights of the members of the faculties of UTHSC-H and UTSCC at the Institute. For purposes of this Affiliation Agreement, and for intellectual property related to the Institute, percentages of royalties split between the faculty member and U. T. Board of Regents shall not be changed unless mutually agreed upon between AMI, AMC, CGH, and U. T. Board of Regents. Any revenue, remuneration, license fees, royalties, or other benefits received by the U. T. Board of Regents that are derived from work

done by UTHSC-H or UTSCC faculty at the Institute shall be allocated as follows. First, all expenses of the creation, patenting, licensing of the intellectual property, together with all costs related to such actions, including marketing, shall be deducted. Second, the remainder shall be allocated to the Institute for the purposes of research projects or programs, including facilities and staff related to authorized and approved research and indigent care.

(c) Upon termination of this Affiliation Agreement, or upon closing of the Institute, U. T. Board of Regents and AMI shall mutually agree as to the disposition of any intellectual property and any proceeds related thereto.

(d) Patents and Licenses

With respect to any intellectual property developed at the Institute pursuant to the terms of this Affiliation Agreement for which patents or licenses may be issued, the parties agree:

(1) to take all reasonable steps necessary to patent, market, and license the intellectual property; and

(2) to grant each other royalty-free, nonexclusive, irrevocable, and nontransferable licenses for the use of such intellectual property; provided that the grantee of said license shall not have the right to sell, lease, sublease, or transfer the license or otherwise assign use of the license or the property to any other party; provided, however, that UTHSC-H or UTSCC may permit any of the component institutions of The University of Texas System to use any such intellectual property under this license, subject to the same grantee restrictions; provided, further, that AMI may permit any subsidiary corporation, facility, or health care center owned or controlled by AMI to use such intellectual property under this license subject to the same grant restrictions.

(e) For purposes of this Affiliation Agreement and as related to the mission of the Institute, AMI, AMC, CGH and U. T. Board of Regents on behalf of UTHSC-H and UTSCC agree to convey information to each other in a cost effective manner through such means as seminars, informal consultations, biomaterials, reports, experimental data, prototypes, etc., in order that significant intellectual properties can be created for the benefit of the parties and the public. Accordingly, a full flow of scientific information, both tangible and intangible is intended to occur.

(f) With the prior written approval of the Institute's Medical Director, which approval shall not be unreasonably withheld, AMI, AMC or CGH may contract with any third party to conduct test studies or protocols at the Institute. Unless otherwise agreed upon in writing, U. T. Board of Regents, UTHSC-H, or UTSCC shall not receive or be entitled to any information, data, royalties, benefits or remuneration of any kind in connection with any intellectual property rights relating to such third-party contracts.

Section 31. Student Assignments

The Dean of UTHSC-H Medical School and the President of UTSCC shall be ultimately responsible for the assignment of students, residents and fellows, to the Institute. Assignments shall be made in consultation with the Institute's Medical Director and Institute Administrator and shall be subject to the Institute's rules and regulations.

Part V: FISCAL MATTERS

Section 32. Financial and Other Related Reports

The Institute Administrator shall cause any and all financial and other related Institute reports to be prepared.

Section 33. Patient Charges

It shall be the primary intent of CGH and U. T. Board of Regents to make the patient services of the Institute available to persons at reasonable and competitive rates.

Section 34. Collection of Accounts

- (a) CGH shall provide for billing for services rendered by the Institute and provide for collection of accounts resulting therefrom.
- (b) UTHSC-H shall provide for billing for services rendered by Institute physicians who are members of the UTHSC-H faculty and provide for collection of accounts resulting therefrom.
- (c) UTSCC shall provide for billing for services rendered by Institute physicians who are members of the UTSCC staff and provide for collection of accounts resulting therefrom.
- (d) Community practitioners, who are also members of UTHSC-H or UTSCC part-time faculty, may bill for their services and provide for collection of accounts resulting therefrom.

Section 35. Compensation and Fees for Physician and Research Staff

CGH shall provide compensation and fees for UTHSC-H and UTSCC physicians and research staff in accordance with a written Plan for Compensation and Fees to be approved by the Executive Vice Chancellor for Health Affairs of The University of Texas System and by CGH.

Part VI: LIABILITIES, INSURANCE, AND LICENSES

Section 36. No Partnership or Joint Venture

No partnership or joint venture is intended or created by this Affiliation Agreement.

Section 37. Liabilities and Insurance

- (a) U. T. Board of Regents shall not by entering into and performing the Affiliation Agreement, assume or become liable for any of the obligations, liabilities or debts of AMI, of AMC, or of CGH or any of their employees, doctors, research scientists, agents, or servants.
- (b) AMI, AMC, and CGH shall not, by entering into and performing this Affiliation Agreement, assume or become liable for any of the obligations, liabilities or debts of the U. T. Board of Regents, UTHSC-H, UTSCC, or any of their employees, doctors, research scientists, agents or servants.
- (c) AMI, AMC, and CGH, each shall indemnify and hold harmless U. T. Board of Regents, U. T. System, its officers, employees and agents, from any and all liability, loss, cost or obligation, including without limitation reasonable attorneys' fees and expenses, on account of, or arising out of any injury to or death of persons, or damage to property from whatever cause, while in or on the Institute's Premises, or with the improvements or personal property thereon or therein, including any liability for injury to or death of persons or damage to property of the Institute, its officers, doctors, research scientists, employees and agents, but excluding:
- (1) any injury, death or damage solely caused by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees or agents; and
 - (2) any injury, death, or damage to an officer, doctor, research scientist, employee, or agent of UTHSC-H or UTSCC resulting from or relating to any disease, disorder, or illness, including without limitation the immunological and infectious disorder known as AIDS.
- (c) Any injury, death, or damage caused only in part by the willful or negligent acts or omissions of U. T. Board of Regents, its officers, employees, or agents, shall nevertheless be indemnified by CGH, but only to the extent that the injury, death, or damage was not caused by the willful or negligent acts of U. T. Board of Regents, its officers, employees, or agents.
- (d) To the extent permitted by law, U. T. Board of Regents shall indemnify and hold harmless AMI, AMC, and CGH, its officers, employees, and agents from any liability, loss, cost, or obligation, including without limitation reasonable attorney fees and expenses, resulting from any injury, death or damage caused by the willful or negligent acts or omissions of the U. T. Board of Regents, its officers, employees, or agents.
- (e) CGH shall maintain comprehensive general liability insurance to cover the acts and omissions of its respective officers, employees and agents during the Term of this Affiliation Agreement. The liability coverage for bodily injury and property damage shall at all times be at least One Million Dollars (\$1,000,000) combined single limit per person per occurrence. Upon request, CGH shall furnish the U. T. Board of Regents with a copy of the policy or policies evidencing such coverage and shall give at least thirty (30) days' written notice before any such insurance is cancelled or changed with respect to parties, coverage or limits of liability.

- (f) Neither AMI, AMC, CGH, nor U. T. Board of Regents acts under the terms of this Affiliation Agreement as an agent for any of the others.

Section 38. Licenses and Permits

CGH shall obtain and keep in force any and all licenses or permits required by law for the operation of the Institute's facilities.

Part VIII: TERM

Section 39. Term

The Affiliation Agreement between AMI, AMC, CGH, and the U. T. Board of Regents on behalf of UTHSC-H and UTSCC shall be for the initial Term beginning on the Effective Date, as defined in Section 3, above, and continuing thereafter until September 1, 1996, at which time the Affiliation Agreement shall be automatically renewable for two-year Terms thereafter unless prior written notice of cancellation is given.

Section 40. Nonassignability

AMI, AMC, CGH, and U. T. Board of Regents agree that none of them may assign interests or obligations under this Affiliation Agreement unless otherwise provided herein or unless the written consent of the other is obtained first; provided, however, nothing herein shall restrict or prohibit AMI from selling, assigning, conveying or transferring its interest and obligations hereunder in connection with the sale, assignment, conveyance or transfer of any or all of AMI's assets or stock; provided further, however, that should AMI contemplate any such actions, it shall give U. T. Board of Regents reasonable advance notice of its intentions if reasonably possible if such actions would affect the operations or mission of the Institute.

Section 41. Termination

- (a) This Affiliation Agreement shall not be terminated by any of the parties for the first five years after the Effective Date; provided, however, that it may be terminated at any time in accordance with a written, mutually acceptable agreement to terminate.
- (b) Subject to subsection (a), AMI, AMC, and CGH may terminate this Affiliation Agreement without presenting U. T. Board of Regents with any explanation of their reasons so long as AMI, AMC, and CGH first give U. T. Board of Regents written notice of their intention to terminate two years in advance of the date they intend to terminate the Affiliation Agreement. The termination notice provided herein may not be withdrawn, but can be given at any time following the third anniversary of this Affiliation Agreement.
- (c) Subject to subsection (a), AMI, AMC, and CGH may terminate this Affiliation Agreement by presenting U. T. Board of Regents with an explanation of their reasons so long as they give U. T. Board of Regents written notice of their intention to terminate, along with its written explanation, one year in advance of the date they intend to terminate the Affiliation Agreement, which notice can

be given at any time following the fourth anniversary of this Affiliation Agreement.

- (d) Subject to subsection (a), U. T. Board of Regents may terminate this Affiliation Agreement without presenting AMI, AMC, and CGH with any explanation of U. T. Board of Regents' reasons so long as U. T. Board of Regents first gives them written notice of its intention to terminate two years in advance of the date U. T. Board of Regents intends to terminate the Affiliation Agreement. The termination notice provided herein may not be withdrawn, but can be given at any time following the third anniversary of this Affiliation Agreement.
- (e) Subject to subsection (a), U. T. Board of Regents may terminate this Affiliation Agreement by presenting AMI, AMC, and CGH with an explanation of U. T. Board of Regents' reasons so long as U. T. Board of Regents gives them written notice of its intention to terminate, along with its written explanation, one year in advance of the date U. T. Board of Regents intends to terminate the Affiliation Agreement, which notice can be given at any time following the fourth anniversary of this Affiliation Agreement.
- (f) Upon the occurrence of any of the following events, each of which shall be an ongoing condition of this Affiliation Agreement, either AMI, AMC, CGH, or U. T. Board of Regents, in their reasonable discretion, shall have the right to terminate this Affiliation Agreement on 12 months written notice that:
 - (1) CGH is unable to operate the Institute on a sound financial basis, taking into account that AMI, AMC, and CGH are receiving positive humanitarian recognition and are making important research contributions; or
 - (2) Peter W. A. Mansell, M. D., is unavailable or unable to continue in his capacity as Medical Director of the Institute and CGH and U. T. Board of Regents are unable to agree on a successor Medical Director.

Part IX: MISCELLANEOUS PROVISIONS

Section 42. Government Regulations

CGH shall cause the Institute to be operated in such a manner as to comply with any and all applicable governmental regulations involving research projects it engages in.

Section 43. Government Access

To the extent required by state or federal law, until the expiration of four years after the expiration of the Affiliation Agreement, CGH shall make available, upon written request to authorized government officials of the state or federal government or any of their duly authorized representatives, the Affiliation Agreement, any books, documents and records of the Institute that are necessary to verify the nature and extent of any costs claimed for grant or other government sponsored research programs with respect to the research results provided thereunder.

Section 44. Force Majeure

The time within which either party hereto shall be required to perform any act under the Affiliation Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed unavoidably by strikes, lockouts, Acts of God, governmental restrictions, failure or inability to secure materials or labor by reason of priority or similar regulations or order of any governmental or regulatory body, enemy action, civil disturbance, fire, unavoidable casualties or any other cause beyond the reasonable control of either party hereto; provided, however, that written notice of the cause of such delay shall be given within a reasonable time period following the event or events relied upon as cause.

Section 45. Waivers

No variations, modifications or changes herein or hereof shall be binding upon any party hereto unless reduced to writing and executed by the parties hereto or their duly authorized representatives. No waiver or waivers of any breach or default or any breaches or defaults by either party of any term, condition or liability of or a performance by the other party of any duty or obligation hereunder, including without limitation the acceptance by U. T. Board of Regents of payment by CGH of any balances or portions of accounts due, or reimbursements at any time or in any manner other than as herein provided, shall be deemed a waiver thereof or of any waiver thereof in the future, nor shall any such waiver or waivers be deemed or construed to be a waiver or waivers of subsequent breaches or defaults of any kind, character or description under any circumstances.

Section 46. Applicable Law

The Affiliation Agreement shall be construed according to and be enforceable in accordance with the laws of the State of Texas.

Section 47. Compliance with Law

CGH covenants that during the Term of the Affiliation Agreement, it will cause compliance, at its sole cost and expense, with all federal, state, or local laws that may be applicable to the Institute, its buildings, improvements and building equipment to be situated therein, the use or manner of use of the Institute's premises or the carrying on of business on the Institute's premises.

Section 48. Right to Contest Law

CGH or its authorized representatives shall have the right, and U. T. Board of Regents agree to cooperate to the extent fully reasonable, including if necessary the joining in suit, or the requesting of official opinions of the Texas Attorney General's Office, after written notice to them, to contest by appropriate legal proceedings the validity or urge an interpretation of any law, ordinance, rule, regulation or requirement of the nature referred to in Section 47, above and to postpone compliance with the same, provided such contest or request for opinion shall be promptly and diligently prosecuted. U. T. Board of Regents, at their expense, shall also have the right, but not the obligation, to contest any such law, ordinance, rule, regulation or requirement.

Section 49. Partial Invalidity

If any term, provision, condition or covenant of the Affiliation Agreement or the application thereof to any party or circumstances shall, to any extent, be held invalid or unenforceable, the remainder of the Affiliation Agreement, or the application of such term, provisions, condition or covenant to persons or circumstances other than those as to whom or which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of the Affiliation Agreement shall be valid and enforceable to the fullest extent permitted by law.

Section 50. Amendments

This Affiliation Agreement may be amended only by written instrument executed by authorized representatives of the parties hereto.

Section 51. Notices

Any notice, communication, request, reply or advice, or duplicate thereof (hereinafter severally and collectively, for convenience, called "Notice") in this Affiliation Agreement provided or permitted to be given, made or accepted by the parties must be in writing, and may, unless otherwise in this instrument expressly provided, be given or be served by depositing the same in the United States mail, postpaid and registered or certified and addressed to the party to be notified, with return receipt requested; or by delivering the same in person to such party; or if the party or parties to be notified be incorporated, to an officer of such party; or by prepaid telegram when appropriately addressed to the party to be notified. Notice deposited in the mail in the manner hereinabove described shall be effective, unless otherwise stated in this Affiliation Agreement, from and after the expiration of five (5) days after it is so deposited. Notice given in any other manner shall be effective only if and when actually received by the party to be notified. For purposes of this Section the addresses of the persons to be notified on behalf of the parties shall, until changed as hereinafter provided, be as follows:

If to AMI, addressed to:

American Medical International, Inc.
One Commerce Green
515 West Greens Road
Suite 100
Houston, Texas 77067
Attention: Richard D'Antoni, Houston Regional
Director

with a copy to:

American Medical International, Inc.
414 North Camden Drive
Beverly Hills, California 90210
Attention: Richard A. Haas, Legal Department

If to U. T. Board of Regents, addressed to:

The Board of Regents of The University of Texas
System
c/o The University of Texas System
Office of the Board of Regents
201 West Seventh Street
Austin, Texas 78701
Attention: Arthur H. Dilly, Executive Secretary

with copies to:

The University of Texas Health Science Center at
Houston
P. O. Box 20036
Houston, Texas 77225
Attention: Dr. Roger J. Bulger, President

The University of Texas System Cancer Center
M. D. Anderson Hospital and Tumor Institute
6723 Bertner Avenue
Houston, Texas 77030
Attention: Dr. Charles A. LeMaistre, President

Office of General Counsel
The University of Texas System
201 West Seventh Street
Austin, Texas 78701
Attention: John L. Darrouzet, Attorney

However, the parties hereto shall have the right from time to time and at any time to change the names and addresses of the person or persons to be notified on their behalf by at least fifteen (15) days written notice to the other party.

Section 52. Entire Agreement

- (a) This Affiliation Agreement constitutes the entire agreement among the parties and supersedes all previous agreements, understandings, and negotiations.
- (b) Except to the extent required by law, the U. T. Board of Regents, UTHSC-H, and UTSCC and their employees and agents agree not to disclose to any third party the terms of this Affiliation Agreement or any other information within their possession or control regarding AMI, AMC, CGH and the Institute.

EXECUTION

Executed on the day first noted above in quadruplicate originals.

ATTEST: AMERICAN MEDICAL INTERNATIONAL, INC.

By: _____
Name:
Title:

ATTEST: AMERICAN MEDICAL (CENTRAL), INC.

By: _____
Name:
Title:

ATTEST: CITIZENS GENERAL HOSPITAL, INC.

By: _____
Name:
Title:

FORM APPROVED:

Richard Haas,
Senior Attorney
American Medical International, Inc.

RECOMMENDED FOR APPROVAL:

RECOMMENDED FOR APPROVAL:

Dr. Roger J. Bulger,
President
The University of Texas Health
Science Center at Houston

Dr. Charles A. LeMaistre,
President
The University of Texas System
Cancer Center

FORM APPROVED:

CONTENT APPROVED:

Office of General Counsel
The University of Texas System

Dr. Charles B. Mullins
Executive Vice Chancellor for
Health Affairs
The University of Texas System

The Board of Regents of The
University of Texas System

By: _____
Mr. Jess Hay, Chairman

CERTIFICATE OF APPROVAL
BY U. T. BOARD OF REGENTS

I hereby certify that the foregoing Sublease and Affiliation Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

EXHIBIT 1.

FACILITIES OF THE INSTITUTE

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 2.
PLAN OF REMODELING

(This exhibit will be available during the meeting of the
U. T. Board of Regents.)

EXHIBIT 3.

LIST OF PATIENT SERVICES

Ultrasound

Cat Scan

Nuclear Medicine

Diagnostic Radiology

Hematology

Chemistry

Blood Bank

Micro-Bacteriology

Histology

Cytology

EEG

EKG

Respiratory Therapy

Cardiology - Stress Testing

Holtars

2-D Echos

M-Mode

Blood Gases

Pulmonary Functions

Incentive Spirometry

Surgery/Recovery Room Services

Anesthesia Services

Endoscopy/Treatment Room Services

Outpatient Services

Physical Therapy

Central Supply Services/Materials Management

Pharmacy

ICU/CCU (TPN, Respirator, etc.)

Telemetry

Home Health

Nutritional Counseling

Social Services

EXHIBIT 4.

BYLAWS OF CITIZENS GENERAL HOSPITAL, INC.

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 5.

INDIGENT CARE PLAN

- (a) Pursuant to the Affiliation Agreement by and among American Medical International, Inc., American Medical (Central), Inc., Citizens General Hospital, Inc., (CGH), and the U. T. Board of Regents, CGH agrees to undertake certain obligations with respect to rendering indigent care to patients at the Institute for Immunological Disorders (Institute).
- (b) Commencing with the fiscal year September 1, 1986, through August 31, 1987, and for each fiscal year thereafter, CGH agrees to provide the following amounts in indigent care to patients at the Institute:
 - (1) for fiscal year September 1, 1986, through August 31, 1987, CGH shall provide \$250,000 or ten percent (10%) of the Institute's pre-tax income, whichever is greater; and
 - (2) for fiscal year September 1, 1987, through August 31, 1988, and for each fiscal year thereafter during the term of the Affiliation Agreement, CGH will provide \$500,000 or ten percent (10%) of the Institute's pre-tax income, whichever is greater.
- (c) Pre-tax income, as used herein, and indigent care charges shall be calculated in accordance with the general accounting policies and procedures generally recognized within American Medical International, Inc., for the calculation of pre-tax income and indigent care charges at its hospital facilities.
- (d) In the event that CGH fails during any fiscal year to provide the total amount of indigent care indicated above, any amount not so provided shall be committed as additional indigent care for the immediately following fiscal year.
- (e) In general, a person's eligibility for indigent care will be determined by CGH prior to delivery of services to that person at the Institute. Determinations of eligibility, however, may be made after services have been provided if it is impractical to make the determination of eligibility in advance of provision of these services or if events subsequent to the rendering of such services may impact upon the individual's ability to pay. A person will generally be considered eligible for indigent care under this plan if he or she does not have financial ability to pay for the hospital care which is proposed or has been provided.
- (f) In emergency situations, the Medical Director shall have the authority to make exceptions to the above policies. The Medical Director and the Institute Administrator may jointly grant other exceptions to the above policies. If there is a disagreement between them, either may take an individual case to the CGH Board of Directors for final decision.
- (g) This plan shall not obligate CGH to provide services to any particular patient nor shall it include payments or obligations to physicians providing services to patients at the Institute.

EXHIBIT 6.

MEDICAL MALPRACTICE PLAN

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 7.

INTELLECTUAL PROPERTY POLICY

(Due to length, this exhibit has not been included herein, but will be available to the U. T. Board of Regents upon request.)

EXHIBIT 8.

AUTHORIZED REPRESENTATIVES

For each of the entities noted, below are listed their respective authorized representatives for purposes of the Affiliation Agreement:

AMI - (AMI will supply title or name of person.)

AMC - (AMC will supply title or name of person.)

CGH - (CGH will supply title or name of person.)

U. T. Board Of Regents - Executive Vice Chancellor for
Health Affairs

UTHSC-H - President

UTSCC - President

6. U. T. Health Science Center - San Antonio: Proposed Appointment to the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology Effective June 6, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Howe to appoint George W. Mitchell, M.D., to the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology at the U. T. Health Science Center - San Antonio effective June 6, 1986.

BACKGROUND INFORMATION

In 1981, George W. Mitchell, M.D., joined the U. T. Health Science Center - San Antonio faculty as Professor and Director of Gynecology Services. He received his medical degree from Johns Hopkins University, Baltimore, Maryland, in 1942 and served 30 years of his career at Tufts University School of Medicine, Medford, Massachusetts. Dr. Mitchell has made significant contributions to the treatment of gynecological problems and is the preeminent gynecological surgeon in the United States. He is held in high esteem by faculty, residents, and students of the Health Science Center. Dr. Mitchell has served on numerous editorial boards and national obstetric and gynecology associations. It is most appropriate that Dr. Mitchell, a truly distinguished physician, hold this appointment.

The H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology was established by the U. T. Board of Regents in August 1982.

7. U. T. Health Science Center - San Antonio: Proposed Appointment to The Humana Foundation Chair of Obstetrics and Gynecology Effective June 6, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Howe to appoint Carl J. Pauerstein, M.D., as initial holder of The Humana Foundation Chair of Obstetrics and Gynecology at the U. T. Health Science Center - San Antonio effective June 6, 1986.

BACKGROUND INFORMATION

Carl J. Pauerstein, M.D., has been a member of the faculty of the U. T. Health Science Center - San Antonio since 1968 and became Professor and Chairman of the Department of Obstetrics and Gynecology in 1979. Dr. Pauerstein has served as Vice President of the Texas Association of Obstetricians and Gynecologists, President of the San Antonio Ob-Gyn Society, and is a member of several international and national medical organizations. He has received numerous grants and published extensively in his area of expertise, fertility and reproduction.

His most recent publication is a book, Clinical Obstetrics. Dr. Pauerstein is eminently qualified to hold this appointment.

Dr. Pauerstein will relinquish the H. Frank Connally, Jr. Professorship in Obstetrics and Gynecology on the effective date of this appointment.

The Humana Foundation Chair in Obstetrics and Gynecology was established by the U. T. Board of Regents in February 1986.

8. U. T. Health Science Center - San Antonio: Proposed Appointment to the Dan F. Parman Chair in Medicine Effective June 6, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by President Howe to appoint Jay H. Stein, M.D., as initial holder of the Dan F. Parman Chair in Medicine at the U. T. Health Science Center - San Antonio effective June 6, 1986.

BACKGROUND INFORMATION

Jay H. Stein, M.D., has been a faculty member at the U. T. Health Science Center - San Antonio since 1975. In 1977, he became Chairman of the Department of Medicine. His medical career has been devoted to the study of kidney diseases and his achievements are nationally recognized. Currently, he is President of the Association of Professors of Medicine and is a member of the Board of Governors of the American Board of Internal Medicine. He has served on editorial boards and is author of a current textbook, Internal Medicine. Appointment to the Dan F. Parman Chair in Medicine is an appropriate recognition of Dr. Stein's distinguished career in medicine.

The Dan F. Parman Chair in Medicine was established by the U. T. Board of Regents in April 1986.

9. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston): Proposed Appointment to the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology Effective July 1, 1986.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President LeMaistre to appoint Douglas E. Johnson, M.D., Professor and Ashbel Smith Professor, Department of Urology at the U. T. M.D. Anderson Hospital - Houston of the U. T. Cancer Center, as the initial holder of the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology effective July 1, 1986. This appointment is contingent upon the redesignation of the Chair as proposed in Item 32, Page L&I - 26.

BACKGROUND INFORMATION

Douglas E. Johnson, M.D., received his medical degree in 1960 from the U. T. Medical Branch - Galveston and joined the staff of the U. T. Cancer Center in 1968. He is recognized as a leading authority in the area of urologic cancer. It is appropriate that Dr. Johnson's distinguished career with the U. T. Cancer Center be honored with his appointment to the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology.

The W. A. "Tex" and Deborah Moncrief, Jr., Chair was established by the U. T. Board of Regents in February 1986.

10. U. T. Health Center - Tyler: Proposed Memorandum of Agreement with the Texas Department of Health, Austin, Texas.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation by Director Hurst that approval be given to the affiliation agreement set out on Pages HAC 82 - 86 between the U. T. Health Center - Tyler and the Texas Department of Health, Austin, Texas.

BACKGROUND INFORMATION

This nonstandard agreement provides for the examination, diagnosis, referral, hospitalization, and treatment of tuberculosis patients. The U. T. Health Center - Tyler agrees to accommodate all tuberculosis patients or suspected tuberculosis patients referred by the Texas Department of Health, local health authorities, physicians in private practice, or other sources. This agreement is effective from year to year unless terminated by either party upon 90 days advance written notice.

This agreement has been reviewed and approved by the Office of General Counsel.

MEMORANDUM OF AGREEMENT

This AGREEMENT made this _____ day of _____, 1986, by and between The University of Texas Health Center at Tyler, hereinafter referred to as the "Health Center", and The Texas Department of Health for and on behalf of Public Health Region 7 and 10, hereinafter referred to as the "Department".

WITNESSETH, the Health Center and the Department acting pursuant to the provisions of Article 4414b, 3201a-4, 4477-11 and 4477-12, Texas Civil Statutes, enter into this agreement for examination, diagnosis, referral, hospitalization, and treatment of tuberculosis patients.

NOW THEREFORE, in consideration of the promises and terms, conditions, and provisions set forth hereinafter, the parties hereby agree as follows:

I.

The Health Center agrees, subject to the terms and conditions herein, to accommodate all tuberculosis patients or suspected tuberculosis patients both hereinafter referred to as "patients", referred by the Department, local health authorities, physicians in private practice, or other sources, including patients quarantined according to the provisions of the Tuberculosis Code or other State statutes. The Health Center will provide outpatient tuberculosis control clinic services for patients referred by the Department, local health departments, and private physicians. Outpatient clinic appointments will be available daily Monday through Friday. Routine appointments will be scheduled within two weeks, and emergency appointments within 48 hours, of the date of request.

II.

The priority of admissions of tuberculosis patients will be as follows:

- (1) Referral from the Department, including the outpatient clinics;
- (2) Referral from local health departments or other local health authorities;
- (3) Referral from physicians in private practice.

III.

The Health Center agrees to hospitalize, within forty-eight (48) hours, any patients with tuberculosis or suspected tuberculosis who are acutely ill or who are potentially contagious.

IV.

The Health Center agrees to submit to the Department monthly formal written reports of the census of tuberculosis and other mycobacteriosis patients at the Health Center. The monthly report will include the number, characteristics, and length of stay of Health Center inpatients with tuberculosis or other mycobacteriosis.

V.

Regarding the operation and continuation of Tuberculosis Control medical clinics in Public Health Regions 7 and 10, the parties agree as follows:

The Health Center will provide the necessary physicians to conduct clinics in the following locations at the estimated frequency indicated:

<u>LOCATION</u>	<u>FREQUENCY</u>
Livingston	Quarterly
Texarkana	Monthly

Center	Quarterly
Jasper	Quarterly
Lufkin	Monthly
Nacogdoches	Quarterly
Palestine	Quarterly (as needed)
Paris	Quarterly (as needed)
Carthage	Quarterly (as needed)

In addition to the above clinics, the Health Center further agrees to provide physicians to conduct up to eight (8) additional tuberculosis control medical clinics per year in Public Health Regions 7 and 10, when needed to provide adequate tuberculosis control services.

The physicians of the Health Center will complete tuberculosis program report forms as necessary to comply with requirements of the Department. The Health Center also agrees to provide radiologic interpretations, record evaluations, and prescription renewals as needed in urgent situations, or in instances where circumstances prevent a patient's attendance at a regular medical clinic.

The Department will provide other necessary personnel, supplies, and equipment for the above clinics. Specifically, the Department agrees to:

- (1) Schedule the clinics.
- (2) Provide adequate clinic facilities with necessary supplies and medical equipment, including x-ray view boxes.
- (3) Provide anti-tuberculosis medications.
- (4) Provide necessary nursing or clerical personnel.
- (5) Maintain up-to-date records and obtain previous roentgenograms on all patients to be evaluated by the physician.

- (6) Provide reimbursement for mileage and per diem travel expenses of such Health Center physicians conducting the above tuberculosis medical clinics according to State travel regulations (not to exceed \$2,400 per year)

VI.

Regarding the remaining Public Health Regions 7 and 10 Tuberculosis Control clinics, the Health Center agrees to provide contract physicians with any initial orientation or inservice training which may be needed for the detection of tuberculosis and the proper conduct of the clinics.

The parties each agree to appoint one or more persons to serve as a committee to review and recommend changes to resolve any problems which may arise under the procedures and revisions outlined in this agreement. It is mutually agreed that ongoing coordination will be maintained between the Health Center and Public Health Regions 7 and 10 to assure continuation and adequacy of tuberculosis control services.

VII.

The Health Center agrees to notify the appropriate Tuberculosis Control Program manager or director at least three (3) work days in advance of any planned discharge ("with medical advice") of a tuberculosis patient who is in a potentially infectious stage of the disease, or who is receiving injectable medications. Also, the Health Center agrees to immediately notify the appropriate T.B Program Manager or director of any potentially contagious tuberculosis patient who leaves or threatens to leave the hospital against medical advice.

VIII.

The parties further agree that the Health Center will assist, as appropriate, the Department in carrying out its duties in controlling tuberculosis.

IX.

This Agreement shall be effective from year to year unless terminated by either party upon ninety (90) days advance written notice.

TEXAS DEPARTMENT OF HEALTH

THE UNIVERSITY OF TEXAS
HEALTH CENTER AT TYLER

By *Hermas L. Miller*
Hermas L. Miller, Deputy
Commissioner, Management and
Administration

By *George A. Hurst*
George A. Hurst, M.D.
Director

RECOMMENDED BY:

FORM APPROVED:

By *Jerome H. Greenberg*
Jerome H. Greenberg, M.D.
Associate Commissioner for
Preventable Diseases

By *John L. Saroyan*
Office of General Counsel
The University of Texas System

APPROVED AS TO FORM:

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

Hal Nelson
Office of General Counsel

By *Charles H. Phillips*
Title _____

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the ___ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

11. U. T. Health-Related Institutions: Proposed Nominees to Development Boards and Advisory Councils (NO PUBLICITY UNTIL ACCEPTANCES ARE RECEIVED).--
U. T. Health Science Center - Dallas: Development Board;
U. T. Medical Branch - Galveston: Development Board and School of Allied Health Sciences and School of Nursing Advisory Councils;
U. T. Health Science Center - Houston: Development Board and Speech and Hearing Institute Advisory Council;
U. T. Health Science Center - San Antonio: Development Board and Medical School and Nursing School Advisory Councils;
U. T. Cancer Center: University Cancer Foundation Board of Visitors; and
U. T. Health Center - Tyler: Development Board

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of the appropriate chief administrative officer that the U. T. Board of Regents approve the appointments to the development boards and the advisory councils of the health-related institutions of The University of Texas System as set forth on Pages HAC 88 - 97. Terms on the development boards and advisory councils expire regularly on August 31 of each year.

In accordance with usual procedures, no publicity will be given to these nominations until the acceptances are received and reported for the record at a subsequent meeting of the U. T. Board of Regents.

THE UNIVERSITY OF TEXAS
HEALTH SCIENCE CENTER AT DALLAS

Development Board

The Southwestern Medical Foundation serves in this capacity.
The nominees are not subject to Regental approval.

THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 45

Recommended 45

b. Reappointments

For one-year term ending 1987

W. Tom Arnold, M.D., Houston, Business:
Gastroenterologist

For two-year terms ending 1988

George P. Bachman, M.D., Seguin, Business:
Family Practitioner

Edward Egbert, Jr., M.D., El Paso, Business:
Allergist

Mr. Edwin Gale, Beaumont, Business: Investments
Gale Properties

Mr. A. G. McNeese, Jr., Houston, Business:
Banker

Mr. W. L. Moody, IV, Galveston, Business:
Chairman of the Board, Moody National Bank,
Member of the Board of the Moody Foundation

For three-year terms ending 1989

Mrs. William H. Bauer, La Ward, Business:
Civic Leader

Kleberg Eckhardt, M.D., Corpus Christi,
Business: Internist

Mr. Lawrence E. Ethridge, Jr., Corpus Christi,
Business: Independent Oilman

Carlos D. Godinez, M.D., McAllen, Business:
Family Practitioner

Walter F. Hasskarl, M.D., Brenham, Business:
General Surgeon

Mr. Harris L. Kempner, Sr., Galveston,
Business: Businessman

David C. Miesch, M.D., Paris, Business:
Internal Medicine

Mr. Ballinger Mills, Galveston, Business:

Attorney, Mills, Shirley, McMicken and Eckel

Mr. George P. Mitchell, The Woodlands, Business:
Mitchell Energy

Mr. Robert L. Moody, Galveston, Business:
 Investments, Member of the Board of Moody
 Foundation
 Raleigh R. Ross, M.D., Austin, Business:
 Thoracic Surgeon
 Mr. James C. Storm, Corpus Christi, Business:
 Independent Oilman
 Clyde E. Thomas, Jr., M.D., Big Spring, Business:
 General Surgeon

c. New Appointments

For one-year terms ending 1987

David T. McMahon, Jr., M.D., San Antonio, vacancy
 from unfilled term. Business: Internist
 Mr. Risher Randall, Houston, vacancy from unfilled
 term. Business: Investments, American General
 Investment Corporation

For two-year terms ending 1988

Nelson Avery, M.D., Austin, vacancy from unfilled
 term. Business: Internal Medicine
 C. B. Bruner, M.D., Fort Worth, vacancy from
 unfilled term. Business: Family Practitioner

For three-year terms ending 1989

Mr. Richard C. Gibson, Midland, to replace William
 D. Seybold, Jr., M.D. Business: Attorney
 Miss Lissa W. Walks, Houston, to replace Mr.
 Carmage Walls. Business: Vice President,
 Southern Newspapers, Inc.

d. Unfilled Terms

Term Expires

two

1987

B. School of Allied Health Sciences Advisory Council

a. Membership

Authorized 12

Recommended 18

b. Reappointments

For three-year terms ending 1989

Mrs. Charles E. Gamble, Pittsburg, Business:
 Businesswoman
 Mr. Carlos Garza, Galveston, Business: Attorney
 Fernando A. Guerra, M.D., San Antonio, Business:
 Pediatrician
 Ms. Maria Teresa Lopez, Laredo, Business: Faculty
 Member, Laredo Junior College
 Mr. John W. Young, Jr., Caldwell, Business:
 Physician's Assistant

c. New Appointments

For three-year terms ending 1989

Dr. Wayne H. Holtzman (Ph.D.), Austin, vacancy from increased membership. Business: President, The Hogg Foundation

Dr. Roger A. Lanier (Ph.D.), Dallas, vacancy from increased membership. Business: Academic Administrator, The University of Texas Health Science Center at Dallas

d. Unfilled Terms

Term Expires

Four

1989

C. School of Nursing Advisory Council

a. Membership

Authorized 10

Recommended 12

b. Reappointments

For three-year terms ending 1989

Mrs. Richard (Jan) Coggeshall, Galveston, Business: Galveston City Mayor

Mr. Joseph A. Hafner, Jr., Houston, Business: Businessman

Miss F. Marie Hall, Big Spring, Business: Businesswoman

Mrs. Suzanne Sullivan, Galveston, Business: Community Leader

c. New Appointments

For two-year term ending 1988

Mr. Clyde J. Verheyden, Houston, vacancy from unfilled term. Business: Philanthropist, Board of Trustees of Turner Charitable Foundation, Board for the Good Samaritan Foundation

For three-year term ending 1989

Ms. Kay McHughes, Houston, vacancy from increased membership. Business: Businesswoman, Assistant Secretary/Treasurer of the Board for the Good Samaritan Foundation

d. Unfilled Terms

Term Expires

One

1989

THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 53

Recommended 53

b. Reappointments

For three-year terms ending 1989

Dr. Thomas D. Barrow (Ph.D.), Houston, Business: Retired Vice Chairman and Director, The Standard Oil Company of Ohio

Mr. Murphy H. Baxter, Houston, Business: President, Murphy H. Baxter Interests

Mr. John T. Cater, Houston, Business: President and Chief Operating Officer, M Corp

Mr. Jack T. Currie, Houston, Business: Managing Director, Mason Best Corporation

Mr. A. J. Gallerano, Houston, Business: Vice President, National Convenience Stores, Inc.

Mrs. Collins Hill, Jr., Houston, Business: Civic Leader

Mr. Roy M. Huffington, Houston, Business: Chairman of the Board and Chief Executive Officer, Roy M. Huffington, Inc.

Mr. Allan C. King, Houston, Business: President, Gold King Production Company

Mrs. Robert A. Lawhon, Houston, Business: Civic Leader

Mr. Ben F. Love, Houston, Business: Chairman and Chief Executive Officer, Texas Commerce Bancshares

Mrs. A. G. McNeese, Jr., Houston, Business: Civic Leader

Mr. Walter M. Mischer, Jr., Houston, Business: President, The Mischer Corporation

Mr. Prentis B. Tomlinson, Jr., Houston, Business: President, Texstar North America, Inc.

Mrs. Bernice Weingarten, Houston, Business: Civic Leader

Mr. William M. Wheless III, Houston, Business: President, Real Estate Investments

c. New Appointments

None

d. Unfilled Terms

Term Expires

one
six
three

1987
1988
1989

B. Speech and Hearing Institute Advisory Council

a. Membership

Authorized 9

Recommended 9

b. Reappointments

For three-year terms ending 1989

Mrs. H. Graham Hill, Houston, Business: Civic Leader
Mr. Richard A. Schey, Houston, Business: President,
Schey Advertising and Public Relations

c. New Appointments

For two-year term ending 1988

Mrs. William L. Hixon, Houston, to replace
Mrs. Jack R. Simmons. Business: Civic Leader

d. Unfilled Terms

Term Expires

One
One
One

1987
1988
1989

THE UNIVERSITY OF TEXAS
HEALTH SCIENCE CENTER AT SAN ANTONIO

Recommended Appointments to Membership

A. Development Board

a. Membership

Authorized 29

Recommended 65

b. Reappointments

For three-year terms ending 1989

Mr. Sam Barshop, San Antonio, Business: President and
Chief Executive Officer, La Quinta Motor Inns
Mr. Glenn Biggs, San Antonio, Business: Vice Chairman
of the Board, InterFirst Bank
Mr. James E. Ingram, San Antonio, Business: Attorney,
McCamish, Ingram, Martin & Brown
General Robert F. McDermott, San Antonio, Business:
President, USAA
Mr. C. Martin Wender, San Antonio, Business:
President, Charles Martin Wender Real Estate &
Investments

c. New Appointments*

- Mr. Edward H. Austin, Jr., San Antonio, vacancy from increased membership. Business: Glass, Austin & Calvert, Inc.
- Mr. J. Michael Bell, San Antonio, vacancy from increased membership. Business: President, Southwest Venture Management Co. (Investments)
- Mr. Thomas Bensen, San Antonio, vacancy from increased membership. Business: President, Benson, Honda-Mazda
- Mr. L. D. Brinkman, San Antonio, vacancy from increased membership. Business: President, L. D. Brinkman Company
- Mrs. Walter F. (Lenore) Brown, San Antonio, vacancy from increased membership. Business: Civic Leader
- Mr. Charles C. Butt, Jr., San Antonio, vacancy from increased membership. Business: President, HEB Food Stores
- Dr. Donald M. Carlton (Ph.D), Austin, vacancy from increased membership. Business: President, Radian Corporation
- Mr. A. Baker Duncan, San Antonio, vacancy from increased membership. Business: President, Duncan-Smith Co.
- Mr. Ruben Escobedo, San Antonio, vacancy from increased membership. Business: President, Ruben Escobedo & Co., CPA
- Dr. Peter T. Flawn (Ph.D.), Austin, vacancy from increased membership. Business: Consultant
- Mr. Christopher Gill, San Antonio, vacancy from increased membership. Business: Chief Executive Officer, Gill Savings Company
- Mr. William E. Greehey, San Antonio, vacancy from increased membership. Business: Chairman/CEO, Valero Energy Corp.
- Mr. Earl C. Hill, San Antonio, vacancy from increased membership. Business: Attorney
- Mr. B. K. Johnson, San Antonio, vacancy from increased membership. Business: B. K. Johnson Interests
- Mr. Patrick J. Kennedy, San Antonio, vacancy from increased membership. Business: Attorney
- Mr. Radcliffe Killam, Laredo, vacancy from increased membership. Business: Killam Oil Co.
- Mr. Charles Kilpatrick, San Antonio, vacancy from increased membership. Business: Publisher/Editor, San Antonio Express-News Corp.
- Mr. Steven Q. Lee, San Antonio, vacancy from increased membership. Business: Quincy Lee Company
- Mr. Pat Legan, San Antonio, vacancy from increased membership. Business: President, Legan Properties
- Mrs. Sam (Betty) Maddux, Jr., San Antonio, vacancy from increased membership. Business: Community Leader
- Mr. Robert G. Marbut, San Antonio, vacancy from increased membership. Business: President & CEO, Harte-Hanks Communications
- Mr. W. W. McAllister, III, San Antonio, vacancy from increased membership. Business: Chairman of the Board, San Antonio Savings Association
- Mr. B. J. "Red" McCombs, San Antonio, vacancy from increased membership. Business: President, McCombs Ford/Mazda
- Mr. Lewis J. Moorman, Jr., San Antonio, vacancy from increased membership. Business: Oil Operator

Mrs. Nancy Negley, San Antonio, vacancy from increased membership. Business: Civic Leader
 Mr. Tom E. Pawel, San Antonio, vacancy from increased membership. Business: President, Concord Oil Co.
 Mr. Robert T. Rork, San Antonio, vacancy from increased membership. Business: Chairman of the Board, Republic Bank S.A.
 Mr. Pete C. Selig, San Antonio, vacancy from increased membership. Business: President, Selig Hunt & Co.
 Mr. Arnold "Pic" Swartz, San Antonio, vacancy from increased membership. Business: Vice President, Tobin Surveys
 Mr. William C. Thomas, San Antonio, vacancy from increased membership. Business: Publisher/CEO, San Antonio Light
 Mr. Abelardo L. Valdez, San Antonio, vacancy from increased membership. Business: Attorney and former Ambassador and Chief of Protocol to the White House
 Dr. Robert V. West, Jr. (Ph.D.), San Antonio, vacancy from increased membership. Business: Chairman of the Board, Tesoro Petroleum Corp.
 Mr. Jack Willome, San Antonio, vacancy from increased membership. Business: Vice President and Chief Operating Officer, Ray Ellison Industries, Inc.
 Mrs. Bill (Darolyn) Worth, San Antonio, vacancy from increased membership. Business: Civic Leader
 Mr. H. Bartell Zachry, Jr., San Antonio, vacancy from increased membership. Business: President, H.B. Zachry Co.

* New appointments terms to be assigned

d.	Unfilled Terms	<u>Term Expires</u>
	one	1987
	two	1988
	four	1989
	one	(to be determined)

B. Medical School Advisory Council

- a. Membership 7 Recommended 7
 b. Reappointments

For three-year terms ending 1989

Mr. William Reddel, San Antonio, Business: President, Valero Energy Corporation
 Mr. Thomas E. Turner, Jr., San Antonio, Business: President, TETCO Corporation

c. New Appointments

None

d.	Unfilled Term	<u>Term Expires</u>
	One	1987

C. Nursing School Advisory Council

a. Membership

Authorized 9

Recommended 15

b. Reappointments

For three-year terms ending 1989

Brigadier General Kenneth R. Milam (Ret.), San Antonio,
Business: Real Estate Development
Mr. Dan F. Parman, San Antonio, Business: President,
Parman Associates
Mrs. Marvin M. (Lorie) Stetler, San Antonio, Business:
Civic Leader

c. New Appointments

For two-year term ending 1988

Mrs. F. Daniel (Carol) Foley, San Antonio, to replace
Mrs. Jay H. (Marlene) Reynolds. Business: Nurse

For three-year terms ending 1989

Mrs. Ernesto (Robin) Ancira, San Antonio, vacancy from
increased membership. Business: Nurse
Mrs. McLean (Erin) Bowman, San Antonio, vacancy from
increased membership: Business: Civic Leader
Mr. Cappy Lawton, San Antonio, vacancy from increased
membership. Business: Restaurant Owner
Mrs. Robert Dixon (Kelly) Tips, San Antonio, vacancy from
increased membership. Business: Insurance
Mr. Richard Sherman, San Antonio, vacancy from increased
membership: President, Church's Fried Chicken

d. Unfilled Terms

Term Expires

One
One

1987
1989

THE UNIVERSITY OF TEXAS SYSTEM CANCER CENTER

Recommended Appointments to Membership

The University Cancer Foundation Board of Visitors

a. Membership

Authorized 50

Recommended 50

b. Reappointments

For three-year terms ending 1989

The Honorable Ben F. Barnes, Austin, Business: Real Estate Development

Mr. Charles C. Butt, San Antonio, Business: President and CEO, H. E. Butt Grocery Company

Mr. James D. Dannenbaum, Houston, Business: President, Dannenbaum Engineering Corporation

Mr. John H. Duncan, Houston, Business: Private Investor

Mrs. William C. Harvin, Houston, Business: Civic Leader

Mr. Roy M. Huffington, Houston, Business: Chairman of the Board, Roy M. Huffington, Inc.

Mrs. J. Hugh Liedtke, Houston, Business: Civic Leader

Dr. Richard E. Wainerdi (Ph.D.), Houston, Business: President, Texas Medical Center

c. New Appointments

For three-year terms ending 1989

Mr. John D. Alexander, San Antonio, to replace Mr. Lenoir M. Josey. Business: Alexander Production Company

Mrs. Jack Blanton, Houston, to replace Mrs. Walter G. Sterling. Business: Civic Leader

Mr. Cyril Wagner, Jr., Midland, vacancy from unfilled term. Business: Partner, Wagner and Brown Oil Company

d. Unfilled Terms

20

Term Expires

1988

THE UNIVERSITY OF TEXAS HEALTH CENTER AT TYLER

Recommended Appointments to Membership

Development Board

a. Membership

Authorized 45

Recommended 45

b. Reappointments

For three-year terms ending 1989

- Mr. Harold Beaird, Tyler, Business: Owner, Beaird Resources, Inc.
- Mr. Henry M. Bell, Jr., Tyler, Business: Chairman of the Board, First City National Bank of Tyler
- Mrs. D. K. Caldwell, Tyler, Business: President, Caldwell Schools, Inc.
- Mr. Charles L. Childers, Tyler, Business: Chairman of the Board, Republic Bank Tyler
- Mr. Wilton H. Fair, Tyler, Business: President, R. W. Fair Foundation
- Miss Nancy Lake, Tyler, Business: Vice President, Lake Ronel Oil Company
- Mr. Harry Phillips, Tyler, Business: Owner, Basin Operating Co., Ltd.
- Mr. Thomas B. Ramey, Jr., Tyler, Business: Attorney at Law, Law Office of Tom B. Ramey, Jr.
- Mr. A. W. Riter, Jr., Tyler, Business: Chairman of the Board, Interfirst Bank of Tyler, NA
- Mr. Ralph Spence, Tyler, Business: Independent Oil Operator and Investor
- Mr. James C. Wynne, Jr., Tyler, Business: President, Wynne Development Corporation

c. New Appointments

For three-year terms ending 1989

- C. Fagg Sanford, M.D., Tyler, to replace Sherroll A. Neill, M.D. Business: Tyler Physician
- Earl C. Kinzie, D.O., Lindale, to replace Robert E. Rossman, M.D. Business: Lindale Physician
- Mr. Vernon Faulconer, Tyler, vacancy from unfilled term. Business: Independent Oilman
- Mr. Richard L. Ray, Tyler, to replace Mr. Ernest S. Sterling. Business: General Partner, Fair Oil, Ltd.

d. Unfilled Terms

Term Expires

one

1988

**Buildings and
Grounds Com.**

BUILDINGS AND GROUNDS COMMITTEE
COMMITTEE CHAIRMAN RHODES

Date: June 5, 1986
Time: Following the meeting of the Health Affairs Committee
Place: Lobby, Commons Building, Balcones Research Center

	<u>Page</u> <u>B&G</u>
1. U. T. System: Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Proposed Allocation of PUF Bond Proceeds for Equipment, Repair, and Rehabilitation Projects for 1986-87	3
2. U. T. Arlington - Partial Depression of Cooper Street (Project No. 301-592): Report of Project Analysis and Presentation of Preliminary Plans; Authorization for Preparation of Final Plans, Submission to Coordinating Board; and Additional Appropriation Therefor	19
3. U. T. Austin - Petroleum Engineering Building - Renovation (Project No. 102-589): Request for Approval of Revised Total Project Cost; Presentation of Preliminary Plans and Authorization to Prepare Final Plans; Request for Approval of Building Name Change to Economics Building; Submission to Coordinating Board; and Additional Appropriation Therefor	20
4. U. T. Austin - E. P. Schoch Laboratories Renovation (Project No. 102-595): Request for Approval of Revised Total Project Cost; Presentation of Preliminary Plans and Authorization to Prepare Final Plans; Request for Approval of Building Name Change to E. P. Schoch Building; Submission to Coordinating Board; and Additional Appropriation Therefor	21
5. U. T. El Paso - Physical Plant Facilities (Project No. 201-563): Request to Increase Total Project Cost; Recommended Award of Construction Contract to The Banes Company, El Paso, Texas; Approval of Plaque Inscription; and Additional Appropriation Therefor	22
6. U. T. San Antonio - Engineering/Biotechnology Building: Request for Project Authorization; Appointment of Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor	27
7. U. T. Tyler - Space Completion and Renovation (Project No. 802-607): Request for Approval of Final Plans; Submission to Coordinating Board; Authorization to Advertise for Bids; Authorization for Executive Committee and U. T. Tyler Administration to Award Contracts; and Additional Appropriation Therefor	29

8. U. T. Health Science Center - Dallas - Locke Medical Building: Recommendation to Change Building Name to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building 30
9. U. T. Health Center - Tyler - Medical Resident Housing (Project No. 801-601): Request for Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor 30

1. U. T. System: Permanent University Fund (PUF) Bond Proceeds Capital Improvement Program - Proposed Allocation of PUF Bond Proceeds for Equipment, Repair, and Rehabilitation Projects for 1986-87.--

RECOMMENDATION

The Office of the Chancellor recommends that funds reserved in the Permanent University Fund Capital Improvement Program (adopted in October 1985) for I. Institutional Equipment Purchases and II. Repair and Rehabilitation Projects for 1985-87 be appropriated to U. T. System component institutions as recommended below. Descriptive information on both categories, repair and rehabilitation projects and equipment purchases, is contained in the Background Information.

It is further recommended that the component institutions be authorized to purchase approved equipment items following standard equipment purchase procedures and within approved Permanent University Fund Bond Proceeds dollar limits or a combination of allocated bond proceeds and other funds, where appropriate. Substitute equipment purchases are to receive prior approval by the Office of the Chancellor and, where appropriate, the U. T. Board of Regents. Transfer by U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements.

Final approval of specific repair and rehabilitation projects and subsequent appropriation of funds will be in accordance with Board established procedures for construction and repair or rehabilitation projects.

I. Recommended Institutional Equipment Purchases

U. T. ARLINGTON		\$2,741,605
Physics Research Equipment	\$350,000	
Mass Spectrometer Research Facility	330,000	
Radar Cross Section Measurement Laboratory	300,000	
Molecular Beam Epitaxy (MBE) System	478,416	
Computational Fluid Dynamics (CFD) Workstations	263,769	
Microcomputer Laboratory Equipment	247,030	
Foreign Language & Linguistics Laboratory Equipment	205,290	
Power System Laboratory	567,100	
U. T. DALLAS		\$1,249,553
Electron Microprobe Facility	290,558	
Nuclear Magnetic Resonance Spectrometer	250,000	
Mass Spectrometer	183,995	
Brain Activity Mapping System	200,000	
Administrative Computer Upgrade	150,000	
Microcomputer System Enhancement	175,000	
U. T. EL PASO		\$1,232,000
Materials Science Research Equipment	281,000	
Manufacturing Engineering Laboratory	205,000	
Computer Center Upgrade	354,000	
Instructional Computing Laboratory Expansion	392,000	

U. T. PERMIAN BASIN		\$197,000
Psychology Laboratory Equipment	82,450	
Education Laboratory Equipment	40,000	
Micro-computing Laboratory	34,000	
Fine Arts Equipment	40,550	
U. T. SAN ANTONIO		\$1,084,000
Undergraduate Engineering Equipment	195,000	
Biotechnology/Molecular Neurobiology Research Equipment	494,000	
Graduate Engineering Equipment	395,000	
U. T. TYLER		\$181,000
Academic Personal Computer Laboratory	62,000	
Administrative Computing Equipment	119,000	
U. T. HEALTH SCIENCE CENTER - DALLAS		\$2,757,425
Academic Computing Equipment	712,500	
Administrative Computing Equipment	837,925	
Electron Microscopes	455,000	
Macromolecular Synthesis and Sequencing Equipment	752,000	
U. T. MEDICAL BRANCH - GALVESTON		\$3,929,917
Pharmacology Department Equipment	440,000	
Physiology Department Equipment	818,000	
Nutrition Research Equipment	1,567,000	
Internal Medicine Department Equipment	1,104,917	
U. T. HEALTH SCIENCE CENTER - HOUSTON		\$2,148,000
Nuclear Magnetic Resonance Spectrometers	600,000	
Administrative Software Development	950,000	
Chemistry Equipment	598,000	
U. T. HEALTH SCIENCE CENTER - SAN ANTONIO		\$1,818,000
Biopolymer Facility	376,000	
Nuclear Magnetic Resonance Spectrometer	950,000	
Dentist-Scientist Resource Laboratory	319,000	
Radiation Bioeffects Equipment	173,000	
U. T. CANCER CENTER		\$1,370,000
Research Sterilization Equipment	600,000	
Operating Room Sterilization Equipment	400,000	
Pathological/Radioactive Waste Incineration	370,000	
U. T. HEALTH CENTER - TYLER		\$541,500
Protein Sequencer	149,550	
Cell Sorter	150,450	
Electron Microscope/X-Ray Analysis System	241,500	
Total Equipment		\$19,250,000

II. Repair and Rehabilitation Projects

U. T. ARLINGTON		\$401,685
Language & Linguistic Classroom Upgrade	\$ 44,875	
Transformer Reclassification	206,810	
Asbestos Identification Project	150,000	
 U. T. AUSTIN		 \$3,721,000
Waterproofing, Roof Repairs and other Major Repairs - Multiple Buildings	1,931,000	
Transformer Reclassification	650,000	
Electrical Switchgear Modification	400,000	
Molecular Biology Laboratory	480,000	
Office Conversion - U. T. System Center for High Performance Computing	260,000	
 U. T. DALLAS		 \$745,000
4th floor Cecil H. Green Center Renovation	200,000	
Administrative Data Processing Center Relocation	190,000	
Library Mezzanine Renovation	280,000	
Chemical Storage Facility	75,000	
 U. T. EL PASO		 \$940,000
Transformer Reclassification	140,000	
Library Annex Renovation	200,000	
Roof Repair - Fox Fine Arts	350,000	
Elevators for Handicapped	250,000	
 U. T. PERMIAN BASIN		 \$194,000
Recarpet Mesa Building	140,000	
Music Department Renovation	54,000	
 U. T. SAN ANTONIO		 \$595,110
Roof Repair - Multiple Buildings	258,000	
Recarpet Phase I Buildings	299,110	
Library Skylight Replacement	38,000	
 U. T. TYLER		 \$244,394
Remote Fire Alarm Panel	63,394	
Roof Repair - Multiple Buildings	181,000	
 U. T. HEALTH SCIENCE CENTER - DALLAS		 \$1,041,000
Waterproof Multiple Buildings	900,000	
Elevator Modification - Locke Medical Building	141,000	
 U. T. MEDICAL BRANCH - GALVESTON		 \$1,930,000
Department of Physiology Renovation	400,000	
Pharmacology Office Renovation	300,000	
Analytical Chemistry Center Renovation	480,000	
Nutrition Laboratory Renovation	750,000	
 U. T. HEALTH SCIENCE CENTER - HOUSTON		 \$1,218,100
Transformer Reclassification	450,000	
Asbestos Removal - Multiple Locations	348,100	
Roof Repair - Multiple Locations	420,000	
 U. T. HEALTH SCIENCE CENTER - SAN ANTONIO		 \$829,711
Animal Facilities Improvement	221,345	
Instrumentation & Educational Resources Expansion	93,366	
Transformer Reclassification	515,000	

U. T. CANCER CENTER		\$980,000
Immunology: Lab Upgrade and Expansion	450,000	
Cell Biology: Convert Temporary Animal Quarters to Laboratories	350,000	
Research Kitchens: Upgrade Sterilization Services	180,000	
U. T. HEALTH CENTER - TYLER		\$205,000
Emergency Electrical Power	90,000	
Asbestos Removal	40,000	
Heat Recovery System	40,000	
Security Lighting	35,000	
U. T. System Reserve for Emergencies and Unanticipated Repair Needs		\$1,355,000
Total Repair and Rehabilitation		\$14,400,000

This item requires the concurrence of the Academic Affairs and Health Affairs Committees.

BACKGROUND INFORMATION

In October 1985, the U. T. Board of Regents approved a six-year (1985-1991) capital improvement program to be funded from Permanent University Fund (PUF) Bond Proceeds. Included in the plan were annual lump sum allocations of \$10 million each for Institutional Equipment and Repair and Rehabilitation Projects. At that same meeting, the Board made specific appropriations for a number of major projects for 1985-86 and 1986-87 to include some projects in the equipment or repair and rehabilitation categories. Consequently, upon approval of those projects, \$19.25 million in the institutional equipment category and \$14.40 million in the repair and rehabilitation category remain for allocation in fiscal years 1985-86 and 1986-87.

After consulting with the presidents of the component institutions, the Office of the Chancellor, on January 10, 1986, issued guidelines for requesting additional funding for institutional equipment and repair and rehabilitation projects. Following those guidelines, the component institutions prepared prioritized lists of projects or equipment needs for funding for 1986-87 totaling \$32,376,295 for equipment and \$35,235,259 for repair and rehabilitation projects. These lists and the associated written justifications were reviewed by the Office of the Chancellor and discussed with the component institutions during the budget review process. The preceding recommendations are a product of this review process.

The fact that no funds are recommended for the U. T. Institute of Texan Cultures for either repair and rehabilitation projects or equipment purchases and no funds for U. T. Austin for equipment purchase deserves special explanation. The immediate needs for repair and rehabilitation, including some reequipping for the U. T. Institute of Texan Cultures were met with an allocation of \$2.13 million in October 1985. The most pressing need for equipment at U. T. Austin is for computer equipment for library automation. Funding to meet that need is proposed as part of the recommended allocation for library enhancement (see Page B of R - 8, Item 4). Other equipment and some repair needs at U. T. Austin will be funded through the use of Available University Fund monies, a resource not available to other component institutions for these purposes.

The dollar amounts shown for each project are the best estimates available at the present stage of project planning. Slight adjustments may be necessary as equipment bids are received and repair and rehabilitation designs are refined. Consequently, the Office of the Chancellor recommends that the projects be approved for the currently estimated dollar amounts, with the understanding that if funds beyond total allocations are required, subsequent Board approval will be sought. A brief description of each institution's repair projects or equipment requests follows.

INSTITUTION EQUIPMENT REQUESTS

U. T. ARLINGTON

Physics Research Equipment - Various pieces of equipment for the Physics Department to support research in surface/interface, high vacuum, laser and positron physics. The equipment includes high vacuum pumps and associated electronic gear, detectors, sample manipulators, digital interfacing equipment, micro-computer controllers, laser optics, and machine shop equipment. (\$350,000)

Mass Spectrometer Research Facility - A research-grade mass spectrometer to support the new doctoral program in applied chemistry. It will be of immediate use to nine faculty and a critical need for at least two, possibly three, new professors whom the University is attempting to recruit. (\$330,000)

Radar Cross Section Measurement Laboratory - Supports established researchers at the Wave Scattering Research Center and involves the construction of a high technology indoor anechoic range with associated microwave measurement equipment. The instrumentation will be capable of making monostatic and bistatic cross section measurements of a wide variety of simulated natural terrains and man-made targets. Such basic measurements and fundamental research are critically important to the design of advanced radar and other microwave systems and communications equipment. (\$300,000)

Molecular Beam Epitaxy (MBE) System - For a well qualified and established team of university researchers to enhance the quality, scope and value of joint monolithic microwave integrated circuits. This will permit on-campus fabrication of a significant new class of integrated circuits based on heteroepitaxial materials which are specifically optimized to very important, highly specialized and value added device applications in telecommunication and defense systems. (\$478,416)

Computational Fluid Dynamics (CFD) Workstations - To develop a workstation Ethernet system that can be used in conjunction with U. T. System CRAY XMP 2/4 to support current sponsored hypersonic research as well as rotorcraft research. Purchases will include single-user SUN color and monochrome workstations and one multi-user MASSCOMP 5600 super microcomputer, along with suitable software and printers. (\$263,769)

Microcomputer Laboratory Equipment - To purchase equipment to establish a personal/business computer laboratory for instructional purposes for finance students. (\$247,030)

Foreign Language & Linguistics Laboratory Equipment - To acquire computer equipment capable of storing extensive linguistic database archives that will permit a local area network for acoustic phonetic research, syntactic and morphological modeling, discourse studies and syntactic universals. To update equipment for the foreign language laboratory, classrooms, and minitheater with complete audiovisual capabilities including video playback plus computer terminals, satellite dish antenna, video production equipment, and support hardware and software. (\$205,290)

Power System Laboratory - Equipment to develop a unique, physically based electric power system scale model laboratory. The model will be used in undergraduate and graduate education, research, and continuing education programs. Approximately two-thirds (\$1,005,000) of the cost of constructing this model will be borne by industry. (\$567,100)

U. T. DALLAS

Electron Microprobe Facility - A new state-of-the-art, fully automated, scanning electron microprobe will replace an obsolete instrument acquired in 1978. It will support research and teaching in the geosciences. Partial funding (\$250,000) will be provided by the National Science Foundation. (\$290,558)

Magnetic Resonance Spectrometer - A wide-bore spectrometer will be acquired to extend a recently developed magnetic resonance technique which allows U. T. Dallas researchers to quantitate net flux of labeled carbon through various competing metabolic pathways in perfused rat hearts. This has important medical implications in that techniques such as this, in principle, might provide direct, non-invasive information about the molecular basis of certain human diseases. (\$250,000)

Mass Spectrometer - A new state-of-the-art solid source mass spectrometer will be acquired for the existing U. T. Dallas spectrometry laboratory which was set up in 1964. Matching funds from the National Science Foundation for the acquisition of this equipment have been requested. (\$183,995)

Brain Activity Mapping System - The Callier Center will acquire a new piece of equipment in order to investigate what effects peripheral and central lesions in the speech, language and auditory areas of the brain have on the brain electrical activity maps (BEAM). The BEAM procedure appears to be an extremely promising clinical technique for objectively evaluating a wide range of difficult to diagnose communication disorders and should provide a clearer understanding of the basic neural mechanisms involved. (\$200,000)

Administrative Computing Upgrade - This project will fund the acquisition of two high speed impact printers and an associated front end communications controller to replace outdated lower capacity equipment which has become extremely unreliable. (\$150,000)

Microcomputer System Enhancement - This project will provide equipment to establish a capability in selected areas (primarily the Schools of Management and Natural Sciences) to support innovative instruction and research through the enhancement of the U. T. Dallas student microcomputing laboratory system and its integration with faculty workstations. (\$175,000)

U. T. EL PASO

Material Science Research Equipment - To upgrade research capabilities in the Colleges of Science and Engineering. The major piece of equipment, an electron microprobe, will support faculty research efforts in the geological sciences, chemistry, physics, and metallurgical engineering. Other equipment includes an ultra-high vacuum system and instrumentation for determination of dielectrical constant, dipole moments and differential thermal analysis. (\$281,000)

Manufacturing Engineering Laboratory - To equip a computer integrated manufacturing laboratory to provide "hands-on" laboratory experience for students in mechanical and industrial engineering. Equipment will include a computer numerically controlled (CNC) lathe, shaker bowl, feeding robot, pick and place robot, and conveyor system. (\$205,000)

Computer Center Upgrade - To purchase a document reader, network expansion, terminals, VM/SNA software, and a cluster of three Microvax computers to provide better terminal access to computing in information exchange and access to a UNIX based program development system. (\$354,000)

Instructional Computing Laboratory Expansion - The purchase of personal/micro computers will permit the establishment or expansion of instructional laboratories to support academic programs in each of the colleges. This project is being coordinated centrally to facilitate the sharing of resources and network access where needed, but each laboratory will have specifications uniquely designed for its functions. (\$392,000)

U. T. PERMIAN BASIN

Psychology Laboratory Equipment - Equipment is to be purchased for the maintenance of an adequate animal laboratory in psychology. The Human Services Laboratory will also be expanded in order to increase the effectiveness and efficiency of the human services provided by the psychology faculty. (\$82,450)

Education Laboratory Equipment - Audiovisual equipment will be purchased to permit research and assessment of future teachers in a field laboratory setting. (\$40,000)

Micro Computer Laboratory - The addition of 15 personal computers with 10 printers will provide access to micro-computing for students in computer science and other areas of the curriculum. (\$34,000)

Fine Arts Equipment - Pianos and music laboratory electronics will be purchased for the music department as well as equipment to support work in sculpture and three-dimensional mediums for the art department. (\$40,550)

U. T. SAN ANTONIO

Undergraduate Engineering Equipment - The equipment requested will aid in the establishment of a Machine Performance Facility and Machine Shop. These are areas where deficiencies have been identified which may affect accreditation in the engineering program. (\$195,000)

Biotechnology/Molecular Neurobiology Research Equipment - The major piece of equipment to be purchased for this area is an electron microscope. Other computer and scientific instrumentation will be purchased to enhance research in the field of Biotechnology/Molecular Neurobiology, an area which has the strongest groups of researchers at the University. (\$494,000)

Graduate Engineering Equipment - The thrust of this project will be to link U. T. San Antonio with U. T. Austin and other engineering research programs through a microwave system. This will permit more engineering courses to be offered in appropriately equipped engineering classrooms and laboratories, and will facilitate the team teaching of some engineering courses by faculty from both U. T. Austin and U. T. San Antonio. Rather than duplicating many of the resources of either U. T. Austin or the Southwest Research Institute, U. T. San Antonio would utilize these remote resources through microwave linkages, greatly enhancing the resources available to students enrolled in U. T. San Antonio programs. (\$395,000)

U. T. TYLER

Academic Personal Computer Laboratory - Seventeen IBM or compatible personal computers are to be acquired for use in the Academic Computer Center to replace 20 outdated and no longer manufactured microcomputers. (\$62,000)

Administrative Computing Equipment - To provide for the acquisition of additional data processing capacity to enable on-line registration and file inquiries throughout the campus, thereby improving the efficiency and effectiveness of the institution. (\$119,000)

U. T. HEALTH SCIENCE CENTER - DALLAS

Academic Computing Equipment - To replace a 12-year old mainframe computer in the Medical Computing Resources Center which serves the research and teaching needs of the faculty, staff, and students campus-wide. The new equipment will integrate larger CPU capacity with many computer and micro-computer processors and workstations and will function on the campus-wide telecommunications network and interface with the new supercomputer center in Austin. Examples of applications that will be most affected include high resolution and interpretation of computerized tomography and magnetic resonance imaging, molecular genetic modeling, management of large epidemiologic data bases, and development of microcomputer software for high technology laboratory applications. (\$712,500)

Administrative Computing Equipment - Software will be added to the 3081D IBM computer system to provide document interchange among the inventory of heterogeneous equipment now installed on campus. This extended system will provide academic department administrators with the facility to become an integral part of a total administrative and business function, reduce production costs, and facilitate efficient departmental administration. (\$837,925)

Electron Microscopes - Four electron microscopes are requested to replace obsolete and wornout microscopes purchased for the teaching programs in cell biology, microbiology, and pathology a decade ago. Two of these microscopes will be scanning electron microscopes. Due to the ability to generate three dimensional images combined with relatively high resolution, the scanning electron microscope has become an essential tool in the exploration of cell surfaces. The other two microscopes will be transmission electronic microscopes. This project supports the institution's commitment to teaching in the basic biomedical sciences. (\$455,000)

Macromolecular Synthesis and Sequencing Equipment - To purchase equipment to be shared by at least 12 of the Health Science Center's 20 medical school departments to provide the ability to sequence and synthesize oligonucleotides and peptides, crucial to research in the molecular biology of human disease. NIH grants will cover costs for the operation of this equipment. (\$752,000)

U. T. MEDICAL BRANCH - GALVESTON

Pharmacology Department Equipment - Includes a Gas and Liquid Chromatography Mass Spectrometry unit, ultracentrifuges, two liquid scintillation counters, and other specialized equipment needed for faculty being recruited to enhance the pharmacology department. Pharmacology represents a major basic science collaborative capability with clinical researchers elsewhere at the U. T. Medical Branch - Galveston. (\$440,000)

Physiology Department Equipment - A major piece of equipment to be purchased is a computerized laser beam cell sorter, a piece of equipment used to develop cell cultures of the various cell types of the kidney nephron, the functional unit of the kidney. Other equipment includes scintillation counters, cell counters, ultracentrifuges, oscilloscopes, and on-line experimental control by computer units. This equipment for the physiology department is a major factor in the recruitment and retainment of nationally known and recognized faculty. (\$818,000)

Nutrition Research Equipment - Four major pieces of equipment are requested: a whole body scintillation counter; a neutron-activation apparatus; an inductively-coupled plasma emission spectrometer; and an atomic absorption spectroscope. This equipment will support an interdisciplinary nutrition research program, a major component in the development of a program in community and preventive medicine. (\$1,567,000)

Internal Medicine Department Equipment - Among the pieces of equipment requested are an intracellular ion expandable image analyzer, a digitalized computer, and a fluoroscopy unit. These are critical to the recruitment and retainment of division chiefs and nationally recognized faculty in the areas of cardiology, gastroenterology, nephrology, and pulmonary diseases. (\$1,104,917)

U. T. HEALTH SCIENCE CENTER - HOUSTON

Magnetic Resonance Spectrometers - To purchase high resolution (300 MHz and 500 MHz) magnetic resonance spectrometers to be used primarily for answering biological problems and as an analytical tool for solution structure elucidation. These instruments will provide capability covering a range of modern applications from multinuclear spectroscopy of organs, tissues, cells and solids to high resolution structure elucidation of biologically important molecules. (\$600,000)

Administrative Software Development - Requested resources will provide for the in-house development of a financial and human resource software system which will integrate the functions of the Offices of Budget and Payroll and Human Resources and Employee Relations, and create a state-of-the-art automated payroll/personnel system which will accommodate institutional accounting and reporting requirements in every aspect. Once this system is developed, all software could be made available to other U. T. components. (\$950,000)

Chemistry Equipment - Replacement and upgrading of equipment for the Analytical Chemistry Center will enable this biotechnology resource specializing in advanced analytical instrumentation methodologies to continue to meet the diverse needs of biomedical research programs. (\$598,000)

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

Biopolymer Facility - Equipment to provide a core laboratory facility to sequence and synthesize biopolymers (e.g., proteins and nucleic acids) in programs of biomedical or biotechnological importance. This capability is not presently available on campus. (\$376,000)

Magnetic Resonance Spectrometer - To purchase a wide-bore spectrometer and related equipment capable of multi-nuclear, localized, in vivo, spectroscopy, and chemical shift imaging. This technology allows for the study of metabolic processes in unperturbed animals for the first time. (\$950,000)

Dentist-Scientist Resource Laboratory - To purchase equipment to provide state-of-the-art instrumentation for teaching and research into basic problems related to molecular pathogenesis for future dentist-Ph.D's, physician-Ph.D's, Ph.D's, and faculty from both the dental and medical schools. (\$319,000)

Radiation Bioeffects Equipment - Instrumentation requested for the Center for Basic Research in Radiation Bioeffects includes an Anechoic Chamber, a transmitter and power supply for Radio-frequency Radiation (RFR) exposures at 2.45 GHz, an appropriate transmission cable, horn and connectors, power monitoring system, electromagnetic field measuring equipment, and thermometry system. This facility will be unique in allowing for the exposure of biological materials and small animals simultaneously to non-ionizing radio frequency (microwave) radiation and ionizing radiation. (173,000)

U. T. CANCER CENTER

Research Sterilization Equipment - To replace outdated, inefficient 20-year old equipment in six research kitchens. This equipment will meet the needs of all clinical research programs. (\$600,000)

Operating Room Sterilization Equipment - Equipment to replace outdated, inefficient 10 to 30-year old sterilization equipment in an operating room. (\$400,000)

Pathological and Radioactive Waste Incineration - To purchase third-phase equipment in a planned three-part project that addresses disposal of biologically and radioactive waste materials. Includes toxic waste materials generated at the Science Park's Veterinary Division and Research Division and at the main complex. (\$370,000)

U. T. HEALTH CENTER - TYLER

Protein Sequencer - The acquisition of a gas phase sequencer will fulfill the need to increase the Health Center's ability to acquire NIH or otherwise funded projects and will aid in the retention of experts in protein chemistry and cell biology. Prior to this time, sequencing has been obtained externally, which is not cost effective and has caused considerable delay. (\$149,550)

Cell Sorter - Investigators in the recently established Monoclonal Antibody Development Core Laboratory have requirements for cell sorter instrumentation. This instrumentation will permit the isolation of any cell which can be labeled with a fluorescent label. This process greatly facilitates the development of monoclonal antibodies, a great new advance in modern biology. (\$150,450)

Electron Microscope/X-ray Analysis System - To purchase a core electron microscope, a critical tool in the Department of Cell Biology and Environmental Sciences. This equipment will assist the department in providing ultrastructural analysis and consultation relating to asbestos detection and surveillance during removal. (\$241,500)

INSTITUTION REPAIR AND REHABILITATION REQUESTS

U. T. ARLINGTON

Language and Linguistics Classroom Upgrade - This project consists of facilities modification to accommodate computers that are capable of storing an extensive linguistic database/archive that will permit a local area network for acoustic phonetic research, syntactic and morphological modeling, discourse studies, and syntactic universals. This project will also upgrade the foreign language laboratory classrooms and mini-theater to accommodate audiovisual and computer equipment being purchased. (\$44,875)

Transformer Reclassification - The reclassification of electrical service transformers containing polychlorinated biphenols (PCB) will be undertaken in order to comply with federal Environmental Protection Agency mandates and eliminate a potential major health hazard to the University community. (\$206,810)

Asbestos Identification Project - In order to comply with guidelines for the abatement or removal of asbestos on campus, U. T. Arlington will conduct building surveys which will determine and identify asbestos hazards that exist in buildings on campus. Funds provided for this project will be used to survey all buildings constructed prior to 1973. (\$150,000)

U. T. AUSTIN

Waterproofing, Roof Repairs, and Other Major Repairs - Multiple Buildings - Waterproofing, tuck pointing and repair to exterior surfaces will be done on Ernest Cockrell, Jr. Hall, Peter T. Flawn Academic Center, East Mall Fountain, LBJ Fountain, Littlefield Home, Littlefield Carriage House, Robert Lee Moore Hall, and Perry Castaneda Library. Roofs will be repaired on Gregory Gym, Engineering Science Building, Patterson Laboratories, Sid Richardson Hall, the Art Complex, and McDonald Observatory Transient Quarters. The Institute for Geophysics dock will be repaired and the gas pipes will be replaced in the Marine Science Institute's Port Aransas Laboratory Building. Also, the asbestos ceiling in the LBJ Auditorium will be replaced. (\$1,931,000)

Transformer Reclassification - The reclassification of electrical service transformers containing polychlorinated biphenols (PCB) will be undertaken in order to comply with federal Environmental Protection Agency mandates and eliminate a potential major health hazard to the University community. (\$650,000)

Electrical Switchgear Modification - The 30-year old electrical switchgear in the Main Building will be replaced and upgraded to a double-ended arrangement to increase reliability. The present equipment is at the end of its useful life. (\$400,000)

Molecular Biology Laboratory - An up-to-date molecular biology laboratory for this fast moving field will be created within existing space in the Experimental Science Building. The University is actively developing this discipline and is recruiting several new faculty. Design work for this modification has already been completed. (\$480,000)

Office Conversion - U. T. System Center for High Performance Computing - Space within the Commons Building at the Balcones Research Center will be converted into staff offices and work space for transient system users. The demand for this space is expected to increase rapidly as the Center begins to serve the component institutions. (\$260,000)

U. T. DALLAS

Fourth Floor Cecil H. Green Center Renovation - Increases in faculty, support staff, and graduate student enrollment associated with the inauguration two years ago of the new interdisciplinary doctoral program in human development and communication sciences have created a pressing need for additional research and office space within the Cecil H. Green Center, where the human development and special education programs for the School of Human Development are housed. The renovated space will be used for laboratories for the new research-oriented faculty recruited in connection with the new doctoral program, offices for graduate students (with several students sharing each enclosure), and seminar rooms. (\$200,000)

Administrative Data Processing Center Relocation - At the present time, the administrative data processing for U. T. Dallas is being conducted in conjunction with U. T. Health Science Center - Dallas, in a common facility on the U. T. Health Science Center - Dallas campus. The U. T. Health Science Center - Dallas now needs its space and has requested that U. T. Dallas' administrative data processing center be moved no later than August 31, 1987. In order to do this, existing space at the U. T. Dallas campus must be renovated. Also, by moving the administrative data processing center to campus, a better integration with the other campus activities, such as academic computing, office automation, and library automation can occur. (\$190,000)

Library Mezzanine Renovation - Renovation of the McDermott Library first floor mezzanine is needed in order to create needed space to accommodate acquisitions growth from the engineering program and Permanent University Fund allocations for library catch-up. Renovations will include the enclosing of approximately 3500 square feet of space, rewiring and placing conduit for OCLC computer terminals, and alteration of heating and air-conditioning systems to meet new requirements of the space. (\$280,000)

Chemical Storage Facility - This project will create safe storage and stockroom for solvents, other liquid chemicals, and dry chemicals, all of which are used routinely by programs in biology, chemistry, environmental science, geosciences, and physics. Safety as well as efficiency will be enhanced by this project. (\$75,000)

U. T. EL PASO

Transformer Reclassification - The reclassification of electrical service transformers containing polychlorinated biphenols (PCB) will be undertaken in order to comply with federal Environmental Protection Agency mandates and eliminate a potential major health hazard to the University community. (\$140,000)

Library Annex Renovation - Construction of the new library has resulted in the Library Annex now being vacant. This area consists largely of open book stack and study space. By subdividing this area by both furniture landscaping and the construction of new wall partitions, functional office areas will be created. This area will then be converted into a central

student-support services facility to include housing for Registrar and Records, Admissions and Evaluations, Veterans Affairs, Undergraduate Recruitment, Scholarships, and Bursar Operations. The moving of these services from the Administration Building will free up space for the Graduate School and the Office of Contracts and Grants to move into close proximity with the other administrative offices with which they interact daily, and the Business and Personnel Offices will be provided with badly needed space. (\$200,000)

Roof Repair - Fox Fine Arts Building - This project includes replacement of approximately 65,000 square feet of roofing, utilizing a urethane foam system to increase insulative value and provide a waterproof membrane. Also included is repair or replacement of approximately 41,000 square feet of waterproofing membrane and resealing of walkdecks over occupied classroom spaces. Existing roofing failure is due to extreme weather conditions and airborne chemical pollutants. (\$350,000)

Elevators for the Handicapped - In compliance with Section 504 of the Federal Rehabilitation Act of 1973, U. T. El Paso will install an elevator in the Psychology Building and a single elevator located between Hudspeth and Worrell Halls which will serve both buildings by interconnected walkways. Because of lack of elevators, the bulk of the Psychology Department's laboratories, including the animal experimental areas, are not available to mobility-impaired individuals. Many faculty offices are located in Hudspeth and Worrell Halls and faculty must make individual arrangements to meet elsewhere with those students for whom the faculty offices are inaccessible. (\$250,000)

U. T. PERMIAN BASIN

Recarpet Mesa Building - Replacement of ten-year old carpeting in order to enhance the appearance of the Mesa Building. (\$140,000)

Music Department Renovation - The music department is presently dispersed widely throughout the campus, which is very inefficient. This project proposes to consolidate the music department in one location. By bringing the music department together, needed space in the Mesa Building could be used for business and other curricular areas. Renovated space would provide music classrooms, studio/offices, practice rooms, music library space and storage space. (\$54,000)

U. T. SAN ANTONIO

Roof Repair - Multiple Buildings - With the majority of U. T. San Antonio physical plant being constructed at the same time, over ten years ago, the built-up flat roofs placed on campus buildings have deteriorated and are leaking. This leakage has already led to substantial damage of both the buildings and their contents. Major repairs are necessary to insure proper building energy conservation and to protect the building contents. Buildings earmarked for roof replacement are: Science Building - Southwest Section, HemisFair Plaza Building 710, Physical Plant Building, Multidisciplinary Studies Building, Science Laboratories, and Small Animal Building. (\$258,000)

Recarpet Phase I Building - Original carpet placed in Phase I Buildings, which were occupied in late 1975, have experienced uneven usage, and heavy usage areas now require replacement. Buildings earmarked for carpet replacement are: Humanities/Business Building, Science Building, John Peace Library Building, Arts Building, Physical Plant Building, and Physical Education Building. (\$299,110)

Library Skylight Replacement - The skylight in the John Peace Library Building is clear acrylic with no solar tint to protect library materials that must be shelved in the area covered by the skylight or to reduce the heat which direct sunlight produces in the library. The books shelved in this area of the library can be expected to deteriorate more rapidly due to the direct sunlight. In addition, excess heat in the library results in higher energy consumption for air conditioning during the summer months. The skylight will be replaced with plexiglass that has a solar bronze tint to block out ultraviolet rays of the sun, thus reducing damage to the books shelved in this area and reducing heat produced from direct sunlight. (\$38,000)

U. T. TYLER

Remote Fire Alarm Panel - This project will install a master fire alarm panel in the Physical Plant Building to receive a signal from each building fire alarm panel. Presently, each major building on the campus has an individual fire alarm panel that defines the area that was alarmed. This type of alarm is very satisfactory as long as maintenance personnel are available to silence the alarm and follow up on the alarmed area. However, when the last class is out, there is no one to hear the alarm should an emergency occur. The proposed central fire alarm panel will allow for a dispatcher to monitor the panel at all times. (\$63,394)

Roof Repair - Multiple Buildings - Deterioration of roofs leads to higher maintenance and replacement costs. Recent heavy rains and resultant water leaks have emphasized the necessity to give top priority to roof repairs. Select buildings across the campus have been targeted for roof repair. (\$181,000)

U. T. HEALTH SCIENCE CENTER - DALLAS

Waterproof Multiple Buildings - Inadequate materials and methods of construction have contributed to health and safety problems for building occupants, excessive deterioration of facilities, work interruptions, and abnormal operating costs. Work includes basement waterproofing; window, wall and ceiling replacement; and reroofing for McDermott Academic Administration Building, McDermott Plaza, and Green Science Building. (\$900,000)

Elevator Modification-Locke Medical Building - The necessity for complete replacement of three elevators in the Locke Medical Building is due to age, fire requirements, handicapped requirements, and code deficiencies. In addition to updating the elevator to eliminate code deficiencies, the elevator downtime suffered by building occupants would be reduced considerably. The cost to maintain new equipment would be less and, due to code changes, the elevators will be safer for passengers. (\$141,000)

U. T. MEDICAL BRANCH - GALVESTON

Department of Physiology Renovation - Renovation of new space assigned to the department of physiology will decompress the Department's laboratory space and will consolidate the administrative functions of the Department. Additional research laboratory space would be created by moving the chairman's suite and the departmental classroom into proximity with the remainder of administration functions in an area not capable of supporting laboratories. (\$400,000)

Pharmacology Office Renovation - The facility for the department of pharmacology has been expanded to provide laboratory space for 20 faculty, the eventual size of the department. The original portion of the building will be converted to faculty offices for that number of faculty.

This project is essential because it will allow faculty to move their offices out of laboratory areas, thereby separating office functions from more dangerous laboratory functions. (\$300,000)

Analytical Chemistry Center Renovation - To provide space for the X-ray diffractometer and the faculty member who operates it, for the M. D. Anderson Analytical Chemistry Center. Relocation of other programs will free space to provide biochemistry laboratories. (\$480,000)

Nutrition Laboratory Renovation - The previous Gross Anatomy Laboratory on the third floor of the Keiller Building will be renovated to provide research laboratories for the newly created Division of Nutrition of the Department of Preventive Medicine and Community Health. Moveable laboratory modules will be utilized to provide the greatest degree of flexibility possible as the division grows. (\$750,000)

U. T. HEALTH SCIENCE CENTER - HOUSTON

Transformer Reclassification - The reclassification of electrical service transformers containing polychlorinated biphenols (PCB) will be undertaken in order to comply with federal Environmental Protection Agency mandates and eliminate a potential major health hazard to the University community. (\$450,000)

Asbestos Removal - Multiple Locations - Project involves removal of all identified asbestos on campus, except in the Dental Science Institute which will be vacated in two to three years. Removal of asbestos containing materials is recommended for the following buildings: John Freeman, Graduate School, Speech and Hearing Institute, and the Dental Branch. This type work is labor intensive and major expenses relate to total worker and building occupant protection requirements. (\$348,100)

Roof Repair - Multiple Locations - Health Science Center complexes are in need of new roofs totaling 105,000 square feet. Buildings identified for roof replacement are the Dental Branch, Medical School, and the Speech and Hearing Institute. (\$420,000)

U. T. HEALTH SCIENCE CENTER - SAN ANTONIO

Animal Facilities Improvement - This project will renovate 3,944 square feet of floor space located adjacent to the Animal Facility and will renovate another 1,262 square feet of floor space within the Animal Facility. This will expand and upgrade the Animal Resource Program to meet the needs of this growing institution. The increase in the number of faculty has led to an increase in the sophistication of their research. Improvements and expansion of laboratory animal facilities are needed to keep pace with the growth and sophistication of research. (\$221,345)

Instrumentation and Educational Resources Expansion - The Instrumentation and Educational Resources Center is involved in the proper and periodic maintenance of physical assets of the University, specifically any and all medical, scientific, dental, laboratory, and research instrumentation. Renovated space will be used for housing audiovisual people and equipment used in direct classroom support of all the lecture rooms in the Health Science Center and for equipment maintenance. (\$93,366)

Transformer Reclassification - The reclassification of electrical service transformers containing polychlorinated biphenols (PCB) will be undertaken in order to comply with federal Environmental Protection Agency mandates and eliminate a potential major health hazard to the University community. (515,000)

U. T. CANCER CENTER

Immunology: Lab Upgrade and Expansion - This project is Phase III of planned growth of the department for molecular immunology, Smith Research Building. (\$450,000)

Cell Biology: Convert Temporary Animal Quarters to Laboratories - This project includes planned expansion of the Cell Biology Laboratory for the biologic response modifier program. (\$350,000)

Research Kitchens: Upgrade Sterilization Services - This project involves modification to accommodate upgrading of glassware and sterilization equipment in six kitchens in the Bates-Freeman Building, a 20-year old facility being renovated to accommodate clinical research programs. (\$180,000)

U. T. HEALTH CENTER - TYLER

Emergency Electrical Power - A high-voltage, primary switch gear will be purchased and installed to assure 100% backup electrical power from Texas Power and Light Company in the event of an emergency power outage. Without this backup capacity, there is only enough emergency generation capacity to maintain life-support equipment for a few hours and, consequently, a catastrophic power outage would endanger patients, employees, and research projects. (\$90,000)

Asbestos Removal - The U. T. Health Center - Tyler has a 100-seat auditorium facility used daily for various types of meetings for employees, students, and visitors. The facility has an exposed asbestos insulated ceiling which has previously been treated to "encapsulate" the material and reduce health risks. Recently, this material has again begun to crack and flake, thereby requiring total removal. (\$40,000)

Heat Recovery System - A boiler heat recovery system, as proposed in this project, captures exhausted heat and uses that energy to heat water and reduce heat loss to less than 5%. There would be an estimated 15-month payback in energy savings and, therefore, an energy cost reduction of at least \$32,000 per year with this project. (\$40,000)

Security Lighting - The installation of high-pressure sodium lighting at various outdoor locations would provide safe nighttime driving conditions and improve security on campus. Locations on campus where lighting is either inadequate or nonexistent pose safety and security problems for both employees and visitors. Installation of energy efficient high-pressure sodium lighting would provide better lighting in these areas at a lower cost per hour. (\$35,000)

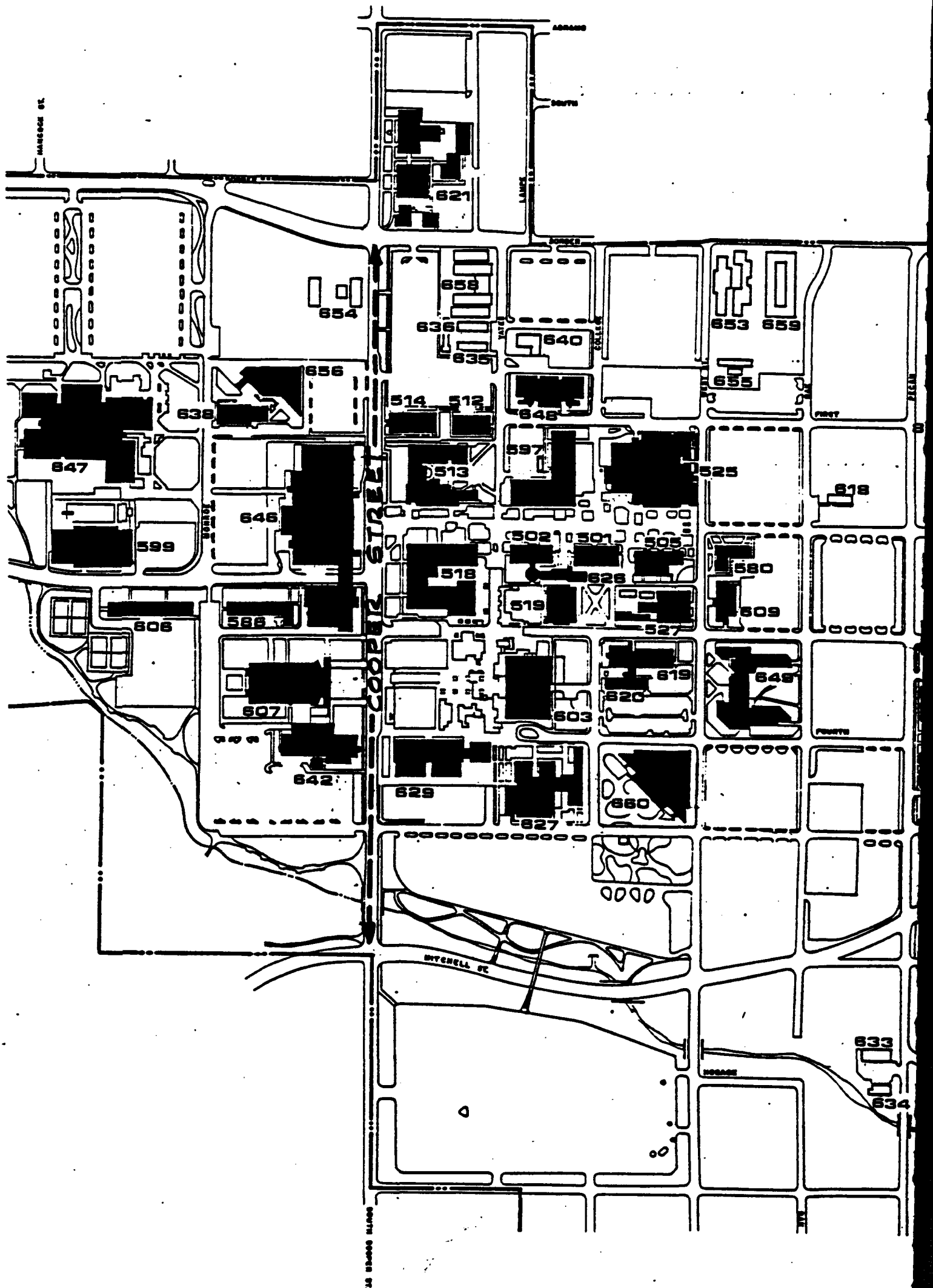
U. T. SYSTEM

Reserve for Emergencies and Unanticipated Repair Needs - Since not all repair needs through August 1987 can be anticipated, a small reserve will be held for the unanticipated needs. (1,355,000)

U. T. ARLINGTON

CENTRAL CAMPUS AREA

(BUILDING INDEX ON BACK)



2. U. T. Arlington - Partial Depression of Cooper Street (Project No. 301-592): Report of Project Analysis and Presentation of Preliminary Plans; Authorization for Preparation of Final Plans; Submission to Coordinating Board; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Nedderman that the U. T. Board of Regents:

- a. Accept the Report of Project Analysis and approve preliminary plans for the Partial Depression of Cooper Street at U. T. Arlington at an estimated total project cost of \$6,157,830
- b. Authorize the Project Engineer to prepare final plans and specifications to be presented to the U. T. Board of Regents at a future meeting
- c. Authorize submission of the project to the Coordinating Board, Texas College and University System
- d. Appropriate \$300,000 from Permanent University Fund Bond Proceeds for fees and administrative expenses through preparation of final plans. (Previous appropriations have been \$75,000 from Unappropriated Plant Funds - Interest on Local Funds).

This item requires the concurrence of the Finance and Audit and Academic Affairs Committees.

BACKGROUND INFORMATION

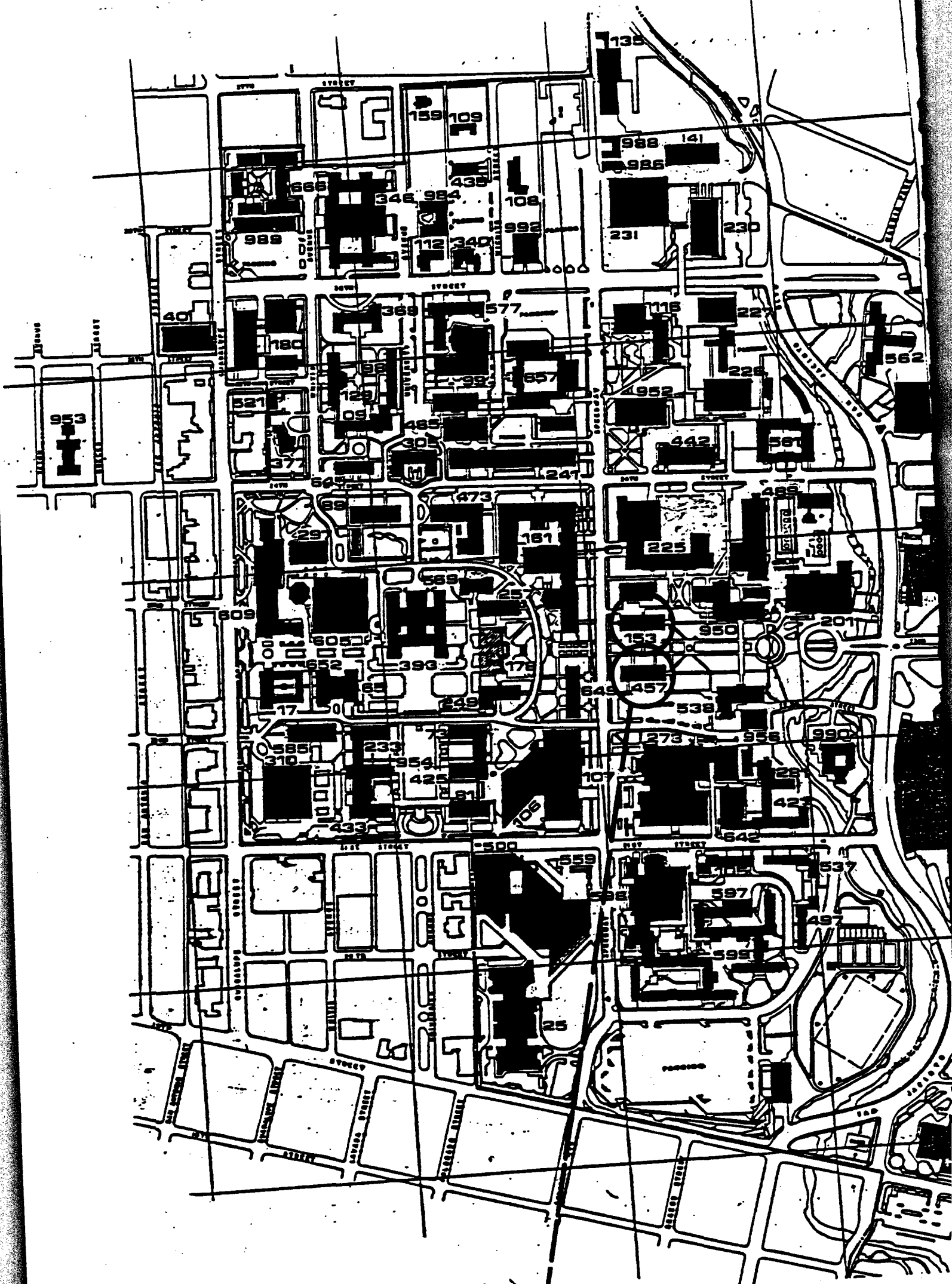
In accordance with authorization of the U. T. Board of Regents in June 1985, a Project Analysis for the Partial Depression of Cooper Street at U. T. Arlington has been completed, and preliminary plans and a detailed cost estimate have also been prepared by the Project Engineer, Carter and Burgess, Inc., Fort Worth, Texas.

The analysis has been developed with the cooperation of the representatives of the City of Arlington, the Texas Department of Highways and Public Transportation and U. T. Arlington. The analysis illustrates the following:

- a. A widening of Cooper Street (State Highway 157) from Mitchell to Border Street to six lanes with the University providing the right-of-way for the entire length of the widening but no participation in the construction cost from Campus Drive to Mitchell Street.
- b. The partial depression from approximately Campus Drive on the south to First Street extended on the north. The deepest excavation will be approximately 8 feet at Second Street extended.

U. T. AUSTIN

MAIN CAMPUS WEST SIDE
(BUILDING INDEX ON BACK)



E.P. SCHOCH LABORATORIES(153)

PETROLEUM ENGINEERING
(ECONOMICS) BUILDING(457)

c. The east and west sides of Cooper Street will have three pedestrian bridges located:

1. north of Davis Hall and University Hall
2. at Second Street extended
3. immediately north of the Geoscience Building and the Fine Arts Building

The bridge at Second Street will be 40 feet wide and the two other pedestrian bridges will be 12 feet wide.

The plans and cost allocations have been reviewed by the staffs of the City of Arlington and the Texas Department of Highways and Public Transportation. It is anticipated that the cost allocations will approximate 49% to U. T. Arlington, 14% to the Texas Highway Department and 37% to the City of Arlington. The Arlington City Council has a staff report on the partial depression and appears to be in general agreement.

Final plans and specifications will be developed in cooperation with the City of Arlington, Texas Department of Highways and Public Transportation and the U. T. System. Any funds expended by the University during preparation of plans and specifications will become a part of U. T. Arlington's pro rata share of the total project cost when completed.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

3. U. T. Austin - Petroleum Engineering Building - Renovation (Project No. 102-589): Request for Approval of Revised Total Project Cost; Presentation of Preliminary Plans and Authorization to Prepare Final Plans; Request for Approval of Building Name Change to Economics Building; Submission to Coordinating Board; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Cunningham that the U. T. Board of Regents:

- a. Approve an increase in the estimated total project cost for the Petroleum Engineering Building Renovation at U. T. Austin from \$3,000,000 to \$3,675,000
- b. Approve the preliminary plans and authorize the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Approve the change of building name from Petroleum Engineering Building to Economics Building
- d. Authorize submission of the project to the Coordinating Board, Texas College and University System
- e. Appropriate \$140,000 from balances on hand from U. T. Austin General Fee for fees and administrative expenses through completion of final plans. (Previous appropriations

have been \$85,000 from Interest on Proceeds of Permanent University Fund Bonds).

This item requires the concurrence of the Finance and Audit and Academic Affairs Committees.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in April 1985, preliminary plans and a detailed cost estimate for the renovation of the Petroleum Engineering Building at U. T. Austin have been prepared by the Project Architect, Graeber, Simmons & Cowan, Austin, Texas. The speculative project cost estimate was previously given as \$3,000,000.

This building, until recently, was occupied by the Department of Petroleum Engineering which has relocated to the new Chemical and Petroleum Engineering Building. Upon completion of the renovation of the 1942 Petroleum Engineering Building, the five-level, 51,490 gross square feet building will be occupied by the Department of Economics. Approval is requested for changing the building name to Economics Building as a reflection of the new occupancy and to avoid confusion with the new Chemical and Petroleum Engineering Building.

Based upon preliminary plans and a detailed cost estimate, the estimated construction cost for the renovation is \$2,836,000 resulting in an average unit cost of \$55.08 per gross square foot. The estimated total project cost is \$3,675,000. The project is to be funded from balances on hand from the U. T. Austin General Fee.

4. U. T. Austin - E. P. Schoch Laboratories Renovation (Project No. 102-595): Request for Approval of Revised Total Project Cost; Presentation of Preliminary Plans and Authorization to Prepare Final Plans; Request for Approval of Building Name Change to E. P. Schoch Building; Submission to Coordinating Board; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Cunningham that the U. T. Board of Regents:

- a. Approve an increase in the estimated total project cost for the E. P. Schoch Laboratories Renovation at U. T. Austin from \$3,375,000 to \$4,225,000
- b. Approve the preliminary plans and authorize the Project Architect to prepare final plans and specifications to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Approve the change of building name from E. P. Schoch Laboratories to E. P. Schoch Building
- d. Authorize submission of the project to the Coordinating Board, Texas College and University System

- e. Appropriate \$165,000 from balances on hand from U. T. Austin General Fee for fees and administrative expenses through completion of final plans. (Previous appropriations have been \$90,000 from Permanent University Fund Bond Proceeds).

This item requires the concurrence of the Finance and Audit and Academic Affairs Committees.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in August 1985, preliminary plans and a detailed cost estimate for the renovation of the E. P. Schoch Laboratories at U. T. Austin have been prepared by the Project Architect, MGM Architects of Austin, Inc., Austin, Texas. The speculative project cost estimate was previously given as \$3,375,000.

This building, until recently, was occupied by the Department of Chemical Engineering which has relocated to the new Chemical and Petroleum Engineering Building. Upon completion of this renovation, the existing five-level, 51,700 gross square feet building will contain classroom and office facilities for the Departments of Germanic Languages and Anthropology. Approval is requested to change the building name to the E. P. Schoch Building to reflect revised occupancy and usage.

Based upon preliminary plans and a detailed cost estimate, the estimated construction cost for the renovation is \$3,390,000, resulting in an average unit cost of \$65.57 per gross square foot. The estimated total project cost is \$4,225,000. The project is to be funded from balances on hand from the U. T. Austin General Fee.

5. U. T. El Paso - Physical Plant Facilities (Project No. 201-563): Request to Increase Total Project Cost; Recommended Award of Construction Contract to The Banes Company, El Paso, Texas; Approval of Plaque Inscription; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Monroe that the U. T. Board of Regents:

- a. Approve an increase in the total project cost of the Physical Plant Facilities at U. T. El Paso from \$6,980,000 to \$7,860,000 (excluding the cost of the Project Analysis)
- b. Award a construction contract for the Physical Plant Facilities at U. T. El Paso to the lowest responsible bidder, The Banes Company, El Paso, Texas, for the Base Bid and Alternates 1 and 3, in the amount of \$6,771,500

- c. Approve the inscription as set forth below for a plaque to be placed on the main Physical Plant building. The inscription follows the standard pattern approved by the U. T. Board of Regents in June 1979.

PHYSICAL PLANT FACILITIES
1986

BOARD OF REGENTS

Jess Hay, Chairman	Hans Mark
Robert B. Baldwin III, Vice-Chairman	Chancellor, The
Shannon H. Ratliff, Vice-Chairman	University of Texas System
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Janey Slaughter Briscoe	President, The University
(Mrs. Dolph)	of Texas at El Paso
Beryl Buckley Milburn	
Tom B. Rhodes	Langford Anderson Thacker, Inc.
Bill Roden	Project Architect
Mario Yzaguirre	The Baner Company
	Contractor

- d. Appropriate additional funds in the sum of \$880,000 from Permanent University Fund Bond Proceeds to cover the revised total project cost. Previous appropriations had been \$6,980,000 from the same source.

This item requires the concurrence of the Finance and Audit Committee.

BACKGROUND INFORMATION

At its February 1984 meeting, the U. T. Board of Regents authorized development of approximately 32.5 acres of land in the northern part of the U. T. El Paso Campus. The project was visualized to consist of reclamation of 32.5 acres of land (Phase I), to be followed by development of some of that land into playing fields and by construction of new Physical Plant Facilities (Phase II) on 7.2 acres of that land.

At its June 1984 meeting, the U. T. Board of Regents approved preliminary plans for the entire project at an estimated total project cost of \$8,276,000. At its December 1984 meeting, the U. T. Board of Regents further approved the final plans for the total project, at the same total project cost. The project remained dormant pending establishment of the Capital Improvement Program in October 1985.

At the December 1985 meeting of the U. T. Board of Regents, the project scope was revised to include only the new Physical Plant Facilities and site work associated with those facilities, at an estimated total project cost of \$6,980,000 (excluding the cost of the Project Analysis). Bids were received and opened on May 6, 1986. The results are tabulated on Page B&G - 26.

In brief, the lowest responsible bid exceeded both the funds available and the final estimate prepared by the professional estimator by almost \$1 million. The low bidder freely divulged his bid estimate for comparison with the Architect's final estimate. The major differences are in the following areas:

- a. Site Work - The contractor's cost of removal of unsuitable material and rock from the site,

filling and compacting the area with suitable material, and trenching to bring electrical power and FCMS communications from the campus to the site accounted for about \$460,000 of the higher cost. Several earth-working contractors submitted bids for the site work and these bids were competitive. The difficulty of dealing with rock excavation in leveling the site and in electrical trenching is the most plausible explanation for the cost increase.

- b. Concrete Panels - The contractor's cost for the precast concrete panels for the exterior walls of the buildings exceeded the final estimate by about \$200,000. Four manufacturers submitted bids and again these were competitive. Thus, rebidding would not likely result in better bids. Moreover, the type of exterior wall system planned is about the least expensive low-maintenance wall system available, so changing the design would not likely produce savings.
- c. The bids for the mechanical and electrical work exceeded the final estimate by approximately \$200,000 and \$60,000, respectively. In each instance, the six bidders were competitive so the bid prices are considered to reflect the true market value of the work. The mechanical work is not "gold-plated;" for example, the buildings will be cooled for the most part by evaporative coolers. The cost of the electrical work could only be reduced by resorting to questionable electrical engineering practices.
- d. Although other differences in the estimate exist, they are largely compensatory and cancel out each other.

It would seem reasonable to award a construction contract, based on the prices bid, for the following reasons:

- a. The market was adequately tested. The bid prices truly reflect the value of the work.
- b. There is no way to further reduce the cost of the project without amputating a major feature of the project.
- c. If construction of such a feature were to be deferred to a future date, it would most likely cost more at that time.
- d. Relocation of Physical Plant to the new site clears a valuable site close to the center of the campus and develops what was hitherto almost waste land into valuable property.
- e. Existing Physical Plant facilities are inadequate and scattered across the campus. The construction will consolidate those facilities and provide adequate facilities to serve the Institution's needs at least 20 and probably 50 years hence.

An increase of \$880,000 instead of \$1 million will suffice to accomplish the project since U. T. El Paso has pared its furniture and equipment budget to the minimum and since the Project Contingency has almost been eliminated.

If the U. T. Board of Regents approves the recommended increased total project cost for the Physical Plant Facilities, the budget would be allocated to the following items:

Construction Cost	\$6,771,500
Fees and Administrative Expenses	565,882
Furniture and Equipment	300,000
Future Work	162,000
Miscellaneous Expenses	25,000
Project Contingency	<u>35,618</u>
	\$7,860,000

NEW PHYSICAL PLANT FACILITIES AND SITE DEVELOPMENT
 THE UNIVERSITY OF TEXAS AT EL PASO
 Bids Received May 6, 1986, at
 The University of Texas at El Paso, El Paso, Texas

<u>CONTRACTOR</u>	<u>Base Bid</u>	<u>Alt. No. 1 Move Metal Building</u>	<u>Alt. No. 3 Underground Fuel Tank</u>	<u>Alt. No. 4 Electronic Security System</u>	<u>Totals Base Bid Plus Alternates 1 & 3</u>
The Banas Company El Paso, Texas	\$6,675,000	\$ 85,500	\$11,000	\$28,000	\$6,771,500
Arrow Building Corporation El Paso, Texas	6,711,000	116,000	14,500	47,000	6,841,500
Robert E. McKee, Inc. Englewood, Colorado	6,870,000	130,000	17,532	47,401	7,017,532
JT Construction Company, Inc. El Paso, Texas	6,878,000	119,000	26,000	28,000	7,023,000
Jordan & Nobles Construction Company of El Paso El Paso, Texas	6,897,000	130,000	10,000	48,500	7,037,000
Urban General Contractors, Inc., El Paso, Texas	6,870,000	172,186	13,241	41,500	7,055,427
Silverton Construction Company, Inc. El Paso, Texas	7,148,000	137,000	11,000	27,000	7,296,000

U.T. SAN ANTONIO

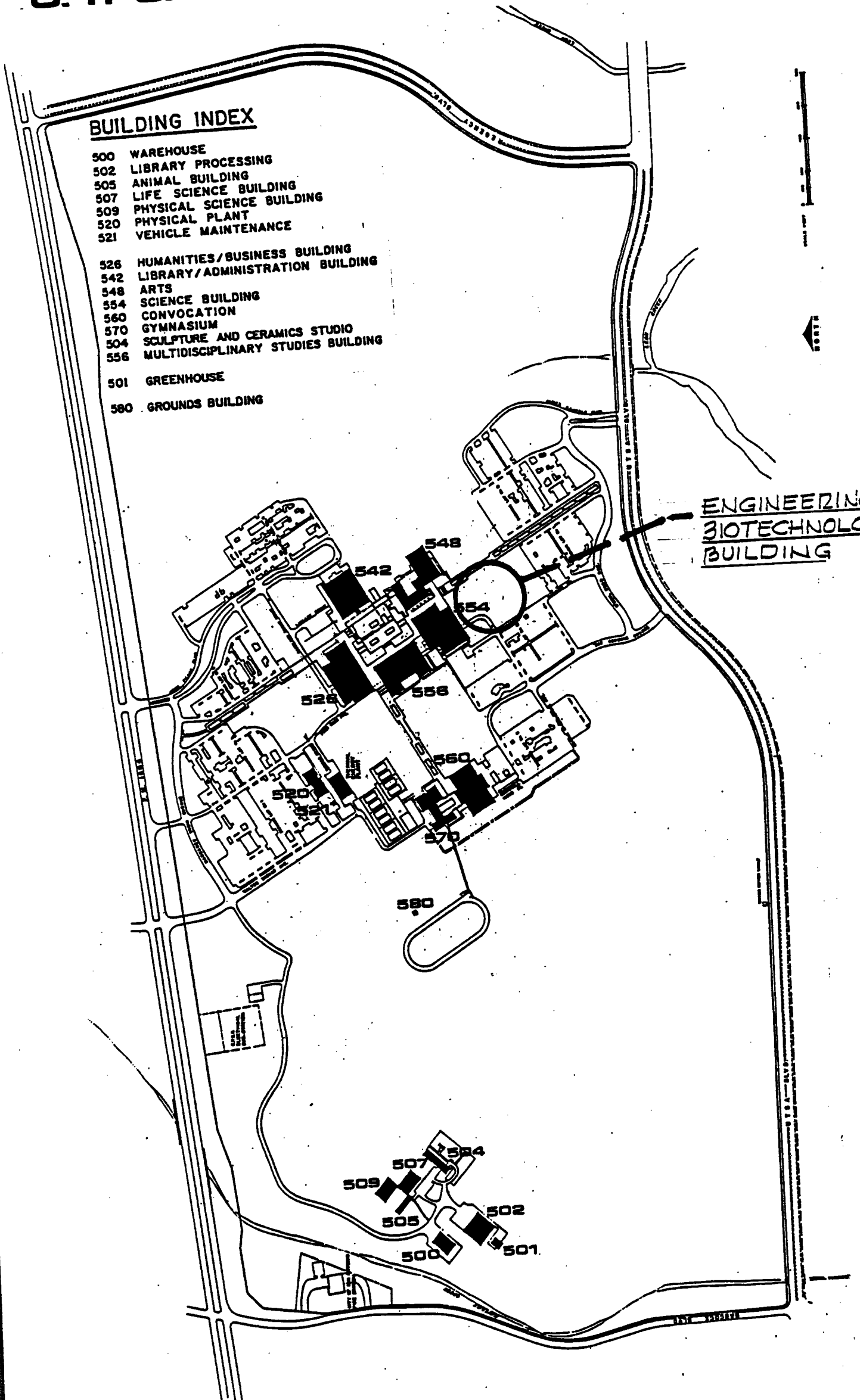
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ENGINEERING/
BIOTECHNOLOGY
BUILDING



6. U. T. San Antonio - Engineering/Biotechnology Building: Request for Project Authorization; Appointment of Project Architect to Prepare Preliminary Plans and Cost Estimate; and Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Wagener that the U. T. Board of Regents:

- a. Authorize a project for the construction of an Engineering/Biotechnology Building at U. T. San Antonio at an estimated total project cost of \$27,900,000
- b. Appoint a Project Architect from the list set forth on Page B&G-28 to prepare preliminary plans and a detailed cost estimate to be presented to the U. T. Board of Regents for consideration at a future meeting
- c. Appropriate \$150,000 from U. T. San Antonio Local Funds and \$50,000 from Permanent University Fund Bond Proceeds for fees and related expenses through the preparation of preliminary plans

This item requires the concurrence of the Finance and Audit and Academic Affairs Committees.

BACKGROUND INFORMATION

The engineering program at U. T. San Antonio has grown more rapidly and matured more quickly than predicted with over 750 majors enrolled in the program as of Fall 1986. There are presently 19 full-time faculty members with two additional positions to be filled this year.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985 with first allocation of construction dollars anticipated in fiscal year 1987-88. The U. T. San Antonio Administration requests that a Project Architect be appointed and the preparation of preliminary plans be authorized at this time in order that all construction documents can be completed enabling construction to begin as soon as Permanent University Fund Bond Proceeds are available.

U. T. San Antonio will also be making a concentrated effort in 1986 for full accreditation of the engineering program. Concrete measures toward building construction will strengthen its case with the Accreditation Board for Engineering and Technology.

List of Firms for Consideration

Project Architect

JonesKell
San Antonio, TX

Marmon Barclay Souter Foster Hays
San Antonio, TX

Ford Powell & Carson
San Antonio, TX

Representative Projects

U. T. San Antonio: Phase I
and Phase II Buildings*
U.T. H.S.C. - San Antonio:
Medical/Dental/Nursing
various buildings*
U. T. Austin: Perry
Castaneda Library
Trinity University:
Master Plan and various
buildings*
Prairie View A&M
University: Library
Texas A&M University:
Medical Sciences Library;
Veterinary Medicine Complex
St. Mary's University:
Law Library
Palo Alto College, Alamo
Community College
District, San Antonio

*As part of Joint Venture
and while organized as
Bartlett Cocke and
Associates.

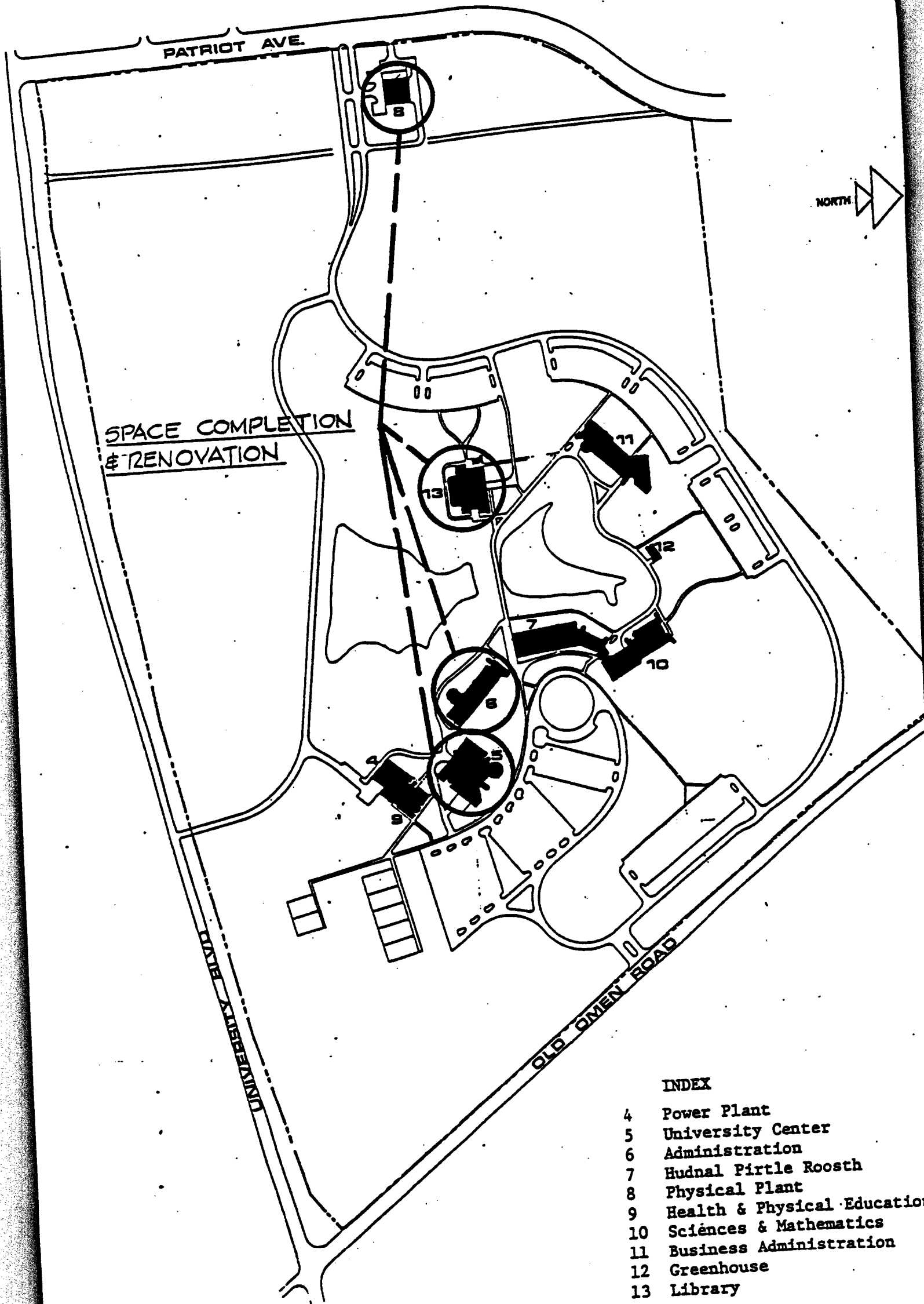
Severance and Associates:
Laboratory of Pathology,
San Antonio
Medical Center Hospital:
Five-Story Addition,
San Antonio
St. Luke's Lutheran Hospital:
San Antonio
Kelly AFB: Dental Clinic
South Texas Regional Blood
Bank
St. Mary's University:
Business Administration
Building
U. T. El Paso: Fine Arts
Complex*
U. T. Austin: Music
Building II

(*In association)

U. T. San Antonio:
Phase I Buildings*
Skidmore College,
Saratoga Springs, N.Y.:
Master Plan, Classrooms,
Laboratories
Trinity University:
Master Plan and various
buildings*
University of Dallas:
Various buildings*
Datapoint Corporation,
San Antonio:
Manufacturing Facility
Texas Instruments,
Dallas, Texas: Semi-
conductor Plant
U. T. Austin:
Communications Building
UTMB-Galveston: Library

(*In association)

U. T. TYLER



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7. U. T. Tyler - Space Completion and Renovation (Project No. 802-607): Request for Approval of Final Plans; Submission to Coordinating Board; Authorization to Advertise for Bids; Authorization for Executive Committee and U. T. Tyler Administration to Award Contracts; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of President Hamm that the U. T. Board of Regents:

- a. Approve final plans and specifications for the Space Completion and Renovation at U. T. Tyler at an estimated total project cost of \$3,800,000
- b. Authorize submission of applicable portions of the project to the Coordinating Board, Texas College and University System
- c. Authorize the Office of Facilities Planning and Construction to advertise for bids, after approval of the Coordinating Board, where applicable
- d. Authorize the Executive Committee to award all contracts of \$300,000 or more associated with this project and the U. T. Tyler Administration to award all other contracts all within the authorized total project cost
- e. Appropriate \$3,550,000 from Permanent University Fund Bond Proceeds to complete total project funding. (Previous appropriations have been \$250,000 from the same source).

BACKGROUND INFORMATION

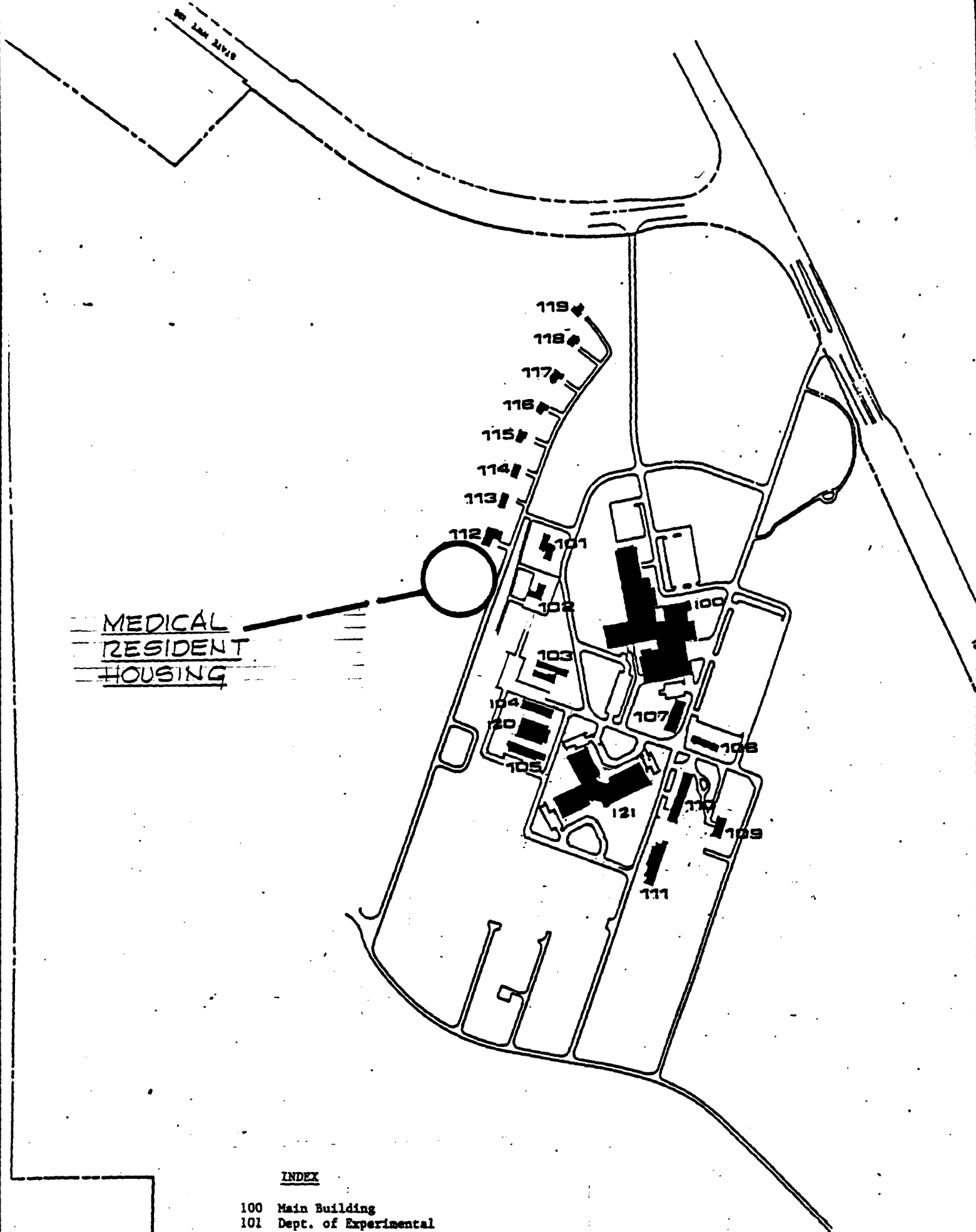
In accordance with authorization of the U. T. Board of Regents in December 1985, final plans and specifications for the Space Completion and Renovation project at U. T. Tyler have been prepared by the Project Architect, Charles F. Potter, Jr., Architect, Tyler, Texas.

This project will provide for the completion and renovation of space in the Library, University Center, and Administration Buildings as well as the completion of the physical plant compound.

The work in the Library will convert an open, unfinished area into 17,427 gross square feet of general classroom space and renovation in the University Center will convert a former library stack area into 18,468 gross square feet of classrooms and faculty offices.

The scope of work in the Administration Building will convert 7,180 gross square feet of inefficient "open plan classroom" area into effective, discrete classrooms and offices. The physical plant compound completion will provide an addition to house university general storage and to provide building maintenance and ground maintenance shops and general storage space.

U.T. HEALTH CENTER AT TYLER



MEDICAL
RESIDENT
HOUSING

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Due to the diverse locations of various areas of construction and to minimize the disruption to activities on campus, multiple construction contracts will be awarded. In order to expedite and appropriately schedule the smaller construction contracts, authorization is requested for U. T. Tyler Administration to award contracts of less than \$300,000. All larger contracts will be submitted to the Executive Committee for award.

This project is within the scope of the Capital Improvement Program approved by the U. T. Board of Regents in October 1985.

8. U. T. Health Science Center - Dallas - Locke Medical Building: Recommendation to Change Building Name to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Sprague that the U. T. Board of Regents approve a change in the name of the building that houses the School of Allied Health Sciences from the Locke Medical Building to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building.

BACKGROUND INFORMATION

When acquired by the U. T. Health Science Center - Dallas in 1980, the building that now houses the School of Allied Health Sciences was known as the Locke Medical Building. This name was retained until all non-Health Science Center tenants vacated the building. The building is now occupied totally by the U. T. Health Science Center - Dallas, and it is recommended that the name be changed to The University of Texas Health Science Center at Dallas School of Allied Health Sciences Building.

9. U. T. Health Center - Tyler - Medical Resident Housing (Project No. 801-601): Request for Approval of Final Plans; Authorization to Advertise for Bids and for Executive Committee to Award Contracts; and Additional Appropriation Therefor.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendations of Director Hurst that the U. T. Board of Regents:

- a. Approve the final plans and specifications for Medical Resident Housing at the U. T. Health Center - Tyler at an estimated total project cost of \$750,000
- b. Authorize the Office of Facilities Planning and Construction to advertise for bids upon completion of final review and availability of funds

- c. Authorize the Executive Committee to award all contracts associated with this project within the authorized total project cost
- d. Appropriate \$705,000 from Gift Funds designated for this project for total project funding. Previous appropriations have been \$45,000 from the same source.

BACKGROUND INFORMATION

In accordance with authorization of the U. T. Board of Regents in December 1985, final plans and specifications for Medical Resident Housing at the U. T. Health Center - Tyler have been prepared by the Project Architect, Simons-Clark Associates, Tyler, Texas.

The project will consist of a cluster of six one-story buildings to house four medical residents each, plus three two-bedroom units for married student residents. The total gross area of all units is 9,522 square feet with an estimated construction cost of \$615,000, resulting in an average unit cost of \$63.33 per gross square foot. The estimated total project cost is \$750,000.

This project was approved by the Coordinating Board, Texas College and University System in January 1986.

**Land and
Investment Com.**

LAND AND INVESTMENT COMMITTEE
COMMITTEE CHAIRMAN MILBURN

Date: June 5, 1986
Time: Following the meeting of the Buildings and
Grounds Committee
Place: Lobby, Commons Building, Balcones Research Center

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U. T. TYLER

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U. T. CANCER CENTER

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<u>Permanent University Fund</u>	<u>March 1986</u>	<u>April 1986</u>	<u>Cumulative Through April of this Fiscal Year (1985-1986)</u>	<u>Cumulative Through April of Preceding Fiscal Year (1984-1985)</u>	<u>Per Cent Change</u>
Royalty					
Oil	\$ 8,350,973.78	\$ 5,840,993.93	\$ 62,835,662.54	\$ 68,548,066.42	(8.33%)
Gas	3,211,259.44	2,169,221.62	21,350,425.56	21,548,598.96	(0.92%)
Sulphur	10,000.00	16,378.29	174,561.84	369,667.75	
Water	49,440.93	75,876.63	428,933.62	228,807.21	
Brine	5,606.57	3,736.48	68,773.19	66,621.03	
Rental					
Oil and Gas Leases	26,570.09	1,926.80	812,341.97	1,728,323.98	
Other	534.00	300.00	2,234.00	11,539.67	
Sale of Sand, Gravel, Etc.	1,464.30	-0-	35,354.30	18,142.00	
Gain or (Loss) on Sale of Securities	<u>15,752,887.59</u>	<u>16,160,855.01</u>	<u>117,002,027.53</u>	<u>63,492,186.26</u>	
Sub-Total	<u>27,408,736.70</u>	<u>24,269,288.76</u>	<u>202,710,314.55</u>	<u>156,011,953.28</u>	<u>29.93%</u>
Bonuses					
Oil and Gas Lease Sales	--	--	5,913,600.00	--	
Amendments and Extensions to Mineral Leases	<u>12,296.26</u>	<u>5,041.13</u>	<u>204,383.67</u>	<u>227,270.46</u>	
Total Bonuses	<u>12,296.26</u>	<u>5,041.13</u>	<u>6,117,983.67</u>	<u>227,270.46</u>	
TOTAL CLEARANCES	<u>\$27,421,032.96</u>	<u>\$24,274,329.89</u>	<u>\$208,828,298.22</u>	<u>\$156,239,223.74</u>	<u>33.66%</u>

Oil and Gas Development - April 30, 1986

Acreage Under Lease - 767,874

Number of Producing Acres - 569,767

Number of Producing Leases - 2,285

B. LAND MATTERS

Permanent University Fund Lands: Consideration of
Petition for Redress of Grievances Submitted By the
International Union of Agricultural and Industrial
Workers Related to the U. T. Vineyard Operations.--

EXPLANATION

A Petition for Redress of Grievances under Article I, Section 27, Texas Constitution, has been presented to the Office of General Counsel, as agent for the U. T. Board of Regents, by the Texas Rural Legal Aid, Inc., Hereford, Texas, on behalf of the International Union of Agricultural and Industrial Workers. This petition previously has been mailed to the Board. Briefly, the Petition sets forth allegations concerning the union's perception of alleged unhealthy and unsanitary working conditions in the vineyards, alleged instances where workers have been sprayed with pesticides, allegations that the labor contractors have failed to comply with certain federal statutes and regulations pertaining to agricultural workers and numerous other matters. The Petition complains not only of alleged action by The University of Texas System but also S-G-R-C, Ltd., the Sheriff of Pecos County, the labor contractors, and the aerial pesticide spraying companies.

It is anticipated that, prior to the June 1986 Board meeting, a meeting will occur among representatives of the Office of General Counsel, the Office of Asset Management, Texas Rural Legal Aid, Inc., the International Union of Agricultural and Industrial Workers, and perhaps others, to define and refine the issues presented in the Petition. The recommendations of the Office of the Chancellor as to actions to be taken on the Petition will be presented at the U. T. Board of Regents' meeting.

II. COMMON TRUST FUND

U. T. System: Recommendation for Authorization of Additional Amounts to Be Managed by Investment Counselors for the Common Trust Fund and Delegation of the Timing of the Increase to the Office of Asset Management.--

RECOMMENDATION

The Office of the Chancellor recommends the authorization of an additional amount not to exceed \$45 million to be managed by the five investment counselors for the Common Trust Fund: Breau Capital Management, Boston, Massachusetts; GeoCapital Corporation, New York, New York; Kahn Brothers & Company, New York, New York; D. S. Kennedy & Company, San Francisco, California; and W. H. Reaves & Co., Inc., Jersey City, New Jersey.

It is further recommended that the timing of any increases in the amount managed by these investment counselors be delegated to the Office of Asset Management.

BACKGROUND INFORMATION

At the October 1985 meeting, the U. T. Board of Regents authorized the hiring of five investment counselors for the Common Trust Fund and the management by those counselors of up to \$80 million. This total has been allocated to these counselors with each of the investment counselors now managing \$16 million. This authorization would allow the Office of Asset Management to increase the amount managed by these counselors up to an additional \$45 million at an appropriate time. The maximum amount authorized for management by these investment counselors would then be \$125 million.

III. TRUST AND SPECIAL FUNDS

A. GIFTS, BEQUESTS AND ESTATES

1. U. T. Arlington: Recommendation to Accept Gifts to Establish the Robert Leroy Endowed Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Nedderman's recommendation to accept gifts of cash, securities, and mineral/royalty interests with an estimated total value of \$572,000 from the Robert Leroy Foundation, Arlington, Texas, to establish the Robert Leroy Endowed Scholarship Fund at U. T. Arlington.

Income from the endowment will be used to provide financial assistance to students based on academic achievement and financial need with particular emphasis being given to qualified students of Chinese descent or ancestry.

BACKGROUND INFORMATION

On March 7, 1986, the Board of Directors for the Robert Leroy Foundation voted to relinquish their duties as directors and assigned these responsibilities to Dr. Wendell H. Nedderman, President, U. T. Arlington, and Mr. Paul J. Youngdale, Jr., Director of Development, U. T. System. The new directors, after consultation with University officials, have voted to give all of the Foundation assets to the U. T. Board of Regents to be used for scholarships and dissolve the Foundation.

The Robert Leroy Foundation was founded by Mr. Robert Leroy on August 30, 1984, for the purpose of awarding scholarships to students of Chinese descent and ancestry. Mr. Leroy was anxious to transfer management and control of the Foundation because of administrative difficulties.

2. U. T. Austin: The Henry Beckman Fund in the College of Engineering - Recommendation to Accept Transfer of Funds and Future Income and Redesignate as the Henry Beckman Fund Endowed Presidential Scholarship.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$14,704.79 transfer of accumulated income from current restricted funds and \$295.21 in future earned income for a total of \$15,000 for addition to The Henry Beckman Fund in the College of Engineering at U. T. Austin. It is recommended that The Henry Beckman Fund be redesignated as the Henry Beckman Fund Endowed Presidential Scholarship with a total endowment of \$25,000.

Income earned from the endowment will be awarded to graduate students conducting research on some facet of engineering related to the conservation of Texas resources.

BACKGROUND INFORMATION

The Henry Beckman Fund was established at the February 1956 U. T. Board of Regents' meeting with a \$10,000 gift from Mr. Henry Beckman, Austin, Texas. The original purpose of the Fund was to award scholarships to a graduating engineering student who had completed work on his master's degree and to an incoming freshman in the College of Engineering who had demonstrated an unusual facility with the use of a slide rule. It is now impractical to make these awards since most students either need scholarships before they complete their theses or they do not seek Ph.D.s and due to a lack of interest in slide rule techniques.

3. U. T. Austin: Second R. H. Bing Fellowship in Mathematics in the College of Natural Sciences - Recommendation to Redesignate as The Malcolm and Minda Brachman Fellowship in Mathematics in Honor of R. H. Bing.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the second R. H. Bing Fellowship in Mathematics in the College of Natural Sciences at U. T. Austin as The Malcolm and Minda Brachman Fellowship in Mathematics in Honor of R. H. Bing.

This recommendation is being made in accordance with the donor's request.

BACKGROUND INFORMATION

The first R. H. Bing Fellowship in Mathematics was established at the February 1985 meeting of the U. T. Board of Regents with a gift and pledge from the Vaughn Foundation

Fund, Houston, Texas. Five additional R. H. Bing Fellowships in Mathematics were established at the December 1985 meeting of the U. T. Board of Regents with a challenge grant from an anonymous donor matched by gifts and pledges from various donors and funds from The Regents' Endowed Teachers and Scholars Program.

Dr. Malcolm K. Brachman, Dallas, Texas, is President of Northwest Oil Company in Dallas and is a member of The Chancellor's Council, the College of Natural Sciences Foundation Advisory Council, and the Mathematics Departmental Visiting Committee.

4. U. T. Austin: Recommendation to Accept Gift and Pledge to Establish The Dow Chemical Company Foundation Polymer Laboratory Endowment in the College of Engineering.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$12,500 gift and a \$37,500 pledge, payable prior to December 31, 1989, for a total of \$50,000 from the Dow Chemical Company Foundation, Midland, Michigan, to establish The Dow Chemical Company Foundation Polymer Laboratory Endowment in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor.

BACKGROUND INFORMATION

This gift and pledge are part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

A companion agenda item naming a room in the new Chemical and Petroleum Engineering Building is on Page AAC - 22, Item 14.

5. U. T. Austin: Data Processing and Analysis Lectureship in the College of Business Administration and the Graduate School of Business - Recommendation to Redesignate as the Information Systems Lectureship.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the Data Processing and Analysis Lectureship in the College of Business Administration and the Graduate School of Business at U. T. Austin as the Information Systems Lectureship.

This recommendation is being made in accordance with the donors' request to reflect the name change of the College of Business Administration Data Processing and Analysis Advisory Council to the College of Business Administration Information Systems Advisory Council.

BACKGROUND INFORMATION

The Data Processing and Analysis Lectureship was established at the August 1984 meeting of the U. T. Board of Regents with \$30,000 in pledges from various donors of which \$27,640 has been received. The donors are all members of the College of Business Administration Information Systems Advisory Council.

6. U. T. Austin: Recommendation to Accept Pledge to Establish the Dedman Merit Scholars Program in the College of Liberal Arts.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000,000 pledge, payable at \$1,000,000 per year for ten consecutive years beginning in 1986, from Mr. and Mrs. Robert H. Dedman, Dallas, Texas, to establish the Dedman Merit Scholars Program in the College of Liberal Arts at U. T. Austin.

Income earned from the endowment will be used to award scholarships to National Merit Scholars sponsored by U. T. Austin and to outstanding undergraduates in the College of Liberal Arts.

BACKGROUND INFORMATION

Mr. Robert H. Dedman received a B.S. in naval science in 1946, an L.L.B. in 1948, and a B.A. in economics in 1949 from U. T. Austin. He is the Chairman of the Club Corporation of America, Dallas, Texas, which establishes and manages country clubs and recreational facilities.

7. U. T. Austin: Recommendation to Enlarge Scope of Eligible Awardees for Scholarships Endowed by Delta Kappa Gamma Society International.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation that the U. T. Board of Regents enlarge the scope of eligible awardees for scholarships endowed by the Delta Kappa Gamma Society International to include qualified students accepted for enrollment at any component institution of the U. T. System.

BACKGROUND INFORMATION

The U. T. System presently administers five scholarship endowment funds donated by the Delta Kappa Gamma Society International as set forth below:

- a. Annie Webb Blanton Delta Kappa Gamma Scholarship, established on September 26, 1936
- b. Eula Lee Carter Texas Delta Kappa Gamma Scholarship, established on September 30, 1939
- c. Mamie Sue Bastian Delta Kappa Gamma Scholarship, established on March 22, 1941
- d. Clara M. Parker Delta Kappa Gamma Scholarship, established on May 22, 1942
- e. Maggie C. Murchison Delta Kappa Gamma Scholarship, established on May 26, 1950.

These funds were endowed between 1936 and 1950 to fund scholarships for qualified students selected by the Society pursuing graduate studies at The University of Texas. At the time of the gifts, candidates would necessarily be required to attend U. T. Austin, since no other qualifying graduate-level institutions of The University of Texas existed.

The Society has recently selected an awardee who plans to attend U. T. Tyler, and has requested that the U. T. System's administration of the Delta Kappa Gamma scholarship endowment funds be amended to allow awards to qualified awardees who will attend any component institution of the U. T. System.

The Office of General Counsel has determined that, according to the terms of the Board's acceptance of the Society's gifts at the time of donation, these scholarships may be awarded only to students attending U. T. Austin. It has also been determined that action by the U. T. Board of Regents will allow administration of the Delta Kappa Gamma endowment funds to authorize awards of scholarships to students attending other component institutions of the U. T. System.

8. U. T. Austin: Recommendation to Accept Gifts to Establish the Edward H. Ellms Graduate Seminar Room Endowment in the College of Engineering.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts of \$2,500 from Mr. D. E. Osterhus, Baytown, Texas, and \$7,500 from the Exxon Education Foundation, Florham Park, New Jersey, for a total of \$10,000 to establish the Edward H. Ellms Graduate Seminar Room Endowment in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to maintain and improve equipment and to support the research and teaching functions of a room to be named in honor of the donor's grandfather, Mr. Ellms.

BACKGROUND INFORMATION

These gifts are part of a special private fund development campaign for the College of Engineering in accordance with Part One, Chapter VII, Section 2, Subsection 2.44 of the Regents' Rules and Regulations.

A companion agenda item naming a room in the new Chemical and Petroleum Engineering Building is on Page AAC - 22, Item 14 .

9. U. T. Austin: Friar Centennial Teaching Fellowship - Recommendation for Designation of Previously Approved Matching Funds Under The Regents' Endowed Teachers and Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to designate the use of \$100,000 in previously approved matching funds under The Regents' Endowed Teachers and Scholars Program to increase the endowment of the Friar Centennial Teaching Fellowship at U. T. Austin. A total of \$79,574.85 has been received and is eligible for matching. The remaining pledge will be matched upon receipt.

BACKGROUND INFORMATION

The Friar Centennial Teaching Fellowship was established at the August 1983 meeting of the U. T. Board of Regents with a \$20,000 gift and a \$50,000 pledge from the Friar Society, Austin, Texas. The pledge has been paid in full. Matching funds in the amount of \$70,000 under The Centennial Teachers and Scholars Program were reserved. An additional pledge of \$30,000, of which \$9,574.85 has been received, was accepted at the October 1983 meeting of the U. T. Board of Regents and matching funds in the amount of \$30,000 were reserved under The Regents' Endowed Teachers and Scholars Program. A designation for the use of the matching funds under both programs was to be presented at a later date.

10. U. T. Austin: Recommendation to Accept Gifts and Pledges to Establish The 1985-86 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept \$23,508.37 in gifts and \$53,491.63 in pledges for a total of \$77,000 from members of the Graduate School of Business class of 1985-86 to establish The 1985-86 Graduate Business Students' Endowed Presidential Scholarship in the Graduate School of Business at U. T. Austin.

Income earned from the endowment will be used to award one or more annual scholarships to students seeking an M.B.A. or M.P.A. in the Graduate School of Business.

BACKGROUND INFORMATION

The Graduate School of Business class of 1985-86 is funding this scholarship through the Graduate Business Council Student Gift Campaign to express their profound support for U. T. Austin.

11. U. T. Austin: Joseph D. Jamail Centennial Research Professorship in Law and W. James Kronzer Chair in Trial and Appellate Advocacy Both in the School of Law - Recommendation to Accept Additional Gifts and Pledges, Redesignate the Joseph D. Jamail Centennial Research Professorship in Law as the Joseph D. Jamail Centennial Chair in Law, Acceptance of Matching Funds from the Sheffield Challenge Endowment Fund Program for Addition to the W. James Kronzer Chair in Trial and Appellate Advocacy and Eligibility for Matching Funds Under The Regents' Endowed Teachers and Scholars Program to Establish The Lee Hage Jamail Regents Professorship in Fine Arts and The Marie and Joseph D. Jamail, Sr. Regents Professorship in Fine Arts Both in the College of Fine Arts.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts of \$25,000 and \$5,000 from the law firm of Vinson & Elkins and Mr. W. James Kronzer, respectively, and pledges of \$375,000, payable prior to August 31, 1989, from members of the Cullen family, all of Houston, Texas, for a total of \$405,000 for addition to the Joseph D. Jamail Centennial Research Professorship in Law in the School of Law at U. T. Austin and redesignate as the Joseph D. Jamail Centennial Chair in Law with a total endowment of \$505,000.

It is recommended that \$260,000 in matching funds from the Sheffield Challenge Endowment Fund Program be used to match in part this gift and pledge for addition to the W. James Kronzer Chair in Trial and Appellate Advocacy in the School of Law at U. T. Austin for a total endowment in excess of \$739,000.

It is further requested that the gift and pledge totaling \$405,000 be matched under The Regents' Endowed Teachers and Scholars Program to establish The Lee Hage Jamail Regents Professorship in Fine Arts and The Marie and Joseph D. Jamail, Sr. Regents Professorship in Fine Arts both in the College of Fine Arts with \$202,500 each.

BACKGROUND INFORMATION

The Joseph D. Jamail Centennial Research Professorship in Law was established at the April 1982 meeting of the U. T. Board of Regents with a \$25,000 gift from Mr. Alvin M. Owsley, Jr., and a \$75,000 gift from The Limited Partners of Ithaca Carbon, Ltd., all of Houston, Texas, for a total of \$100,000 held by The University of Texas Law School Foundation (an external foundation) per the agreement with the Foundation. The proposed gifts and pledges of \$405,000 will be held by the U. T. Board of Regents.

The W. James Kronzer Chair in Trial and Appellate Advocacy was established at the April 1983 meeting of the U. T. Board of Regents with a gift of land appraised at \$125,500, \$40,000.01 in gifts, and \$334,499.99 in pledges for a total of \$500,000 from friends of Mr. W. James Kronzer. Subsequent gifts of land have increased the value of real estate donated to the Chair to approximately \$285,500. The funds for the Chair are held by The University of Texas Law School Foundation (an external foundation) per the agreement with the Foundation. Matching funds from The Centennial Teachers and Scholars Program were reserved to double the endowment of the Chair and will be held by the U. T. Board of Regents.

Mr. Joseph D. Jamail, Jr., Houston, Texas, is a partner of the law firm of Jamail & Kolius and a member of The President's Associates. He received a B.A. in Arts and Sciences in 1950 and a J.D. in Law in 1953 from U. T. Austin.

Mr. W. James Kronzer, a 1943 graduate of the U. T. Austin School of Law, is a partner in the Houston law firm of Kronzer, Abraham, Watkins, Nichols, Ballard & Friend.

12. U. T. Austin: Recommendation to Accept Bequest from the Estate of Hedwig T. Kniker.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a distribution of \$134,626 from the Estate of Hedwig T. Kniker, San Antonio, Texas, to expand the existing set of 17 bells in the tower of the Main Building at U. T. Austin to a full concert carillon of 56 bells. An additional distribution will be made at a later date to reimburse the University for all electrical work associated with the installation of the additional bells.

BACKGROUND INFORMATION

The National Bank of Commerce of San Antonio, Texas, was named executor of the Estate of Hedwig T. Kniker. Miss Kniker, who died in 1985, received a B.A. in geological sciences in 1916 and an M.A. in 1917 from U. T. Austin.

The original set of bells was installed in 1936 during the Centennial of the State of Texas.

A companion agenda item naming the carillon in the tower of the Main Building is on Page AAC - 23, Item 15.

13. U. T. Austin: Recommendation to Accept Gift to Establish the Joe P. Liberty Endowed Scholarship in Plan II in the College of Liberal Arts.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$10,000 gift from Rauscher Pierce Refsnes, Inc., Dallas, Texas, to establish the Joe P. Liberty Endowed Scholarship in Plan II in the College of Liberal Arts at U. T. Austin.

Income earned from the endowment will be used to award scholarships to students enrolled in the Plan II program in the College of Liberal Arts.

BACKGROUND INFORMATION

Mr. Joe P. Liberty, Midland, Texas, received a B.A. in 1961 from U. T. Austin. He is employed with Rauscher Pierce Refsnes, Inc. in Midland.

14. U. T. Austin: Third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy in the College of Pharmacy - Recommendation to Redesignate as the Alfred and Dorothy Mannino Fellowship in Pharmacy.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy in the College of Pharmacy at U. T. Austin as the Alfred and Dorothy Mannino Fellowship in Pharmacy.

BACKGROUND INFORMATION

The third Pharmaceutical Foundation Fellowship in Psychiatric Pharmacy was established at the August 1984 meeting of the U. T. Board of Regents with matching funds from The Regents' Endowed Teachers and Scholars Program.

Dr. Alfred A. Mannino, Overland Park, Kansas, served on the Pharmaceutical Foundation Advisory Council from 1979 to 1982. The Council supports this redesignation to honor Dr. Mannino for his continuing support of the College of Pharmacy.

15. U. T. Austin: Recommendation to Establish the George E. Seay, Sr. Scholarship in the School of Law.--

RECOMMENDATION

The Office of the Chancellor reports that The University of Texas Law School Foundation (an external foundation) has expressed the desire that the George E. Seay, Sr. Scholarship be established in the School of Law at U. T. Austin. The Office of the Chancellor concurs with President Cunningham's recommendation that the endowment, to be funded by The University of Texas Law School Foundation, be established in accordance with the Regents' Rules and Regulations. The funds for the endowment will be held and administered by The University of Texas Law School Foundation.

BACKGROUND INFORMATION

The University of Texas Law School Foundation has received a \$12,000 gift from Mr. and Mrs. George E. Seay, Jr. to establish an endowment in the School of Law in honor of Mr. Seay's father, George E. Seay, Sr., all of Dallas, Texas. Mr. Seay, Sr. received his B.A. in Arts and Sciences and his L.L.B. in Law in 1932 from U. T. Austin. He is an attorney with Haynes and Boone of Dallas.

Mr. and Mrs. Seay, Jr. received a B.B.A. and a B.S., respectively, in 1964 from U. T. Austin. Mr. Seay, Jr. is an attorney in Dallas.

16. U. T. Austin: Recommendation to Accept Gift to Establish the Mrs. Sidney Burleson Smith Endowed Presidential Scholarship in Plan II in the College of Liberal Arts.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept a \$25,000 gift from Mrs. Adele Sidney Burleson Smith, Austin, Texas, to establish the Mrs. Sidney Burleson Smith Endowed Presidential Scholarship in Plan II in the College of Liberal Arts at U. T. Austin.

BACKGROUND INFORMATION

Mrs. Adele Sidney Burleson Smith is a member of The Chancellor's Council and participated in the 1981 dedication of the Burleson Bells which were given to U. T. Austin by her father, Albert Sidney Burleson, in 1929. In addition to her current gift, Mrs. Smith has contributed funds since 1959 to establish nine endowments.

17. U. T. Austin: Sublett Professorship in Industrial Pharmacy in the College of Pharmacy - Recommendation to Redesignate as the Coulter R. Sublett Professorship in Pharmacy.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to redesignate the Sublett Professorship in Industrial Pharmacy in the College of Pharmacy at U. T. Austin as the Coulter R. Sublett Professorship in Pharmacy.

This recommendation is being made in accordance with the donor's request.

BACKGROUND INFORMATION

The Sublett Professorship in Industrial Pharmacy was established at the February 1976 meeting of the U. T. Board of Regents with a \$100,000 gift from Mr. and Mrs. C. R. Sublett, Dallas, Texas.

Mr. Sublett received a B.B.A. in business in 1933 from U. T. Austin and is a long-time supporter of the University. He is a member of The President's Associates, The Chancellor's Council, the Pharmaceutical Foundation Advisory Council, and a Life Member of The Ex-Students' Association. Mr. Sublett retired from the United States Army as a Brigadier General and from Eli Lilly and Company as Executive Director of Sales and Professional Relations.

18. U. T. Austin: Recommendation to Accept Gifts of Cash, Securities, and Corporate Matching Funds to Establish the Whiting Endowed Presidential Scholarship in Engineering in the College of Engineering.--

RECOMMENDATION

The Office of the Chancellor concurs with President Cunningham's recommendation to accept gifts of \$1,000 in cash and various securities valued at approximately \$18,486.56 for a total of \$19,486.56 from Mr. and Mrs. M. Scott Kraemer, Houston, Texas, \$2,000 in corporate matching funds from Union Pacific Corporation, New York, New York, and \$4,200 in corporate matching funds from Amoco Foundation, Inc., Chicago, Illinois, for a total endowment of \$25,686.56 to establish the Whiting Endowed Presidential Scholarship in Engineering in the College of Engineering at U. T. Austin.

Income earned from the endowment will be used to provide scholarships to outstanding and worthy students in petroleum engineering or other engineering majors related to the production of energy. Preference will be given to students of high academic standing who have been gainfully employed during their formative years of preparing for college or during college.

BACKGROUND INFORMATION

Mr. and Mrs. M. Scott Kraemer are funding this scholarship in honor of Mrs. Kraemer's late parents, Mr. and Mrs. Robert E. Whiting. Mrs. Kraemer studied petroleum engineering at U. T. Austin from 1942 to 1945. Her father was the owner of Robert Whiting Auto Electric Service and her mother was a social worker.

19. U. T. Austin: Estate of Louis T. Yule, Deceased - Final Report of Distributions.--

REPORT

The Office of the Chancellor and President Cunningham report receipt of the final distribution from the Estate of Louis T. Yule, Georgetown, Texas, in the amount of \$8,872.11 for a total bequest of \$78,979.36 for the benefit of the College of Engineering at U. T. Austin. As approved by the U. T. Board of Regents at its April 1985 meeting, the initial distribution of \$70,107.25 has been used to partially fund the Louis T. Yule Fellowship in Engineering and the Banks McLaurin Fellowship in Engineering. Funding for the Fellowships was completed by a \$29,892.75 transfer of previously reported gifts from various donors for an endowment of \$50,000 each. The \$8,872.11 has been placed in the Engineering Foundation Various Donors-Variou Purposes account.

BACKGROUND INFORMATION

Mr. Louis T. Yule, who died in January 1984, was a 1933 U. T. Austin graduate. He bequeathed an undivided twenty-five percent of his residuary estate to the College of Engineering for unrestricted use.

20. U. T. El Paso: Recommendation to Accept Gift to Establish the Alumni Association of UTEP Endowed Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept a \$10,000 gift from The Alumni Association of The University of Texas at El Paso, Inc. to establish the Alumni Association of UTEP Endowed Scholarship Fund at U. T. El Paso.

Income earned from the endowment will be used to award an annual scholarship of \$750 or more per academic year, renewable for four years, to qualified students in accordance with the U. T. El Paso Presidential Endowed Scholarship Program.

BACKGROUND INFORMATION

The Alumni Association of The University of Texas at El Paso, Inc. was the first organization connected with the institution to establish a scholarship program which was entitled "Guaranteed University Scholarship." The purpose of this first scholarship program was to attract outstanding El Paso area high school seniors to the University.

21. U. T. El Paso: Recommendation to Accept Transfer of Funds to Establish the Lola B. Dawkins Fund for Excellence in Business Teacher Education.--

RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept an \$11,253.72 transfer of current restricted funds to establish the Lola B. Dawkins Fund for Excellence in Business Teacher Education at U. T. El Paso.

Income earned from the endowment will be used to benefit business administration students seeking business education certification or to aid current business education teachers in graduate work.

BACKGROUND INFORMATION

Dr. Lola B. Dawkins received her B.B.A. in 1954 from U. T. El Paso when the institution was known as Texas Western College and received her Ph.D. from U. T. Austin in 1962. She became a professor at U. T. El Paso in July 1965 and was designated Professor Emerita upon her retirement in May 1984. Dr. Dawkins is a past state president of the Texas Business Education Association and is listed in Who's Who of American Women.

22. U. T. El Paso: Recommendation to Accept Gift to Establish a Second Mr. and Mrs. MacIntosh Murchison Chair in Engineering and Eligibility for Matching Funds Under the Texas Eminent Scholars Program (No Publicity).--

RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to accept a \$500,000 gift from Mrs. Louise B. Murchison, El Paso, Texas, to establish a second Mr. and Mrs. MacIntosh Murchison Chair in Engineering at U. T. El Paso.

It is further recommended that the actual income which will be earned on the gift of \$500,000 be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

The Mr. and Mrs. MacIntosh Murchison Professorship was established at the August 1985 U. T. Board of Regents' meeting with a previous gift from Mrs. Murchison and was redesignated at the April 1986 meeting as the Mr. and Mrs. MacIntosh Murchison Chair in Engineering.

Mrs. Louise B. Murchison is a member of The Chancellor's Council. Mr. and Mrs. Murchison are from early pioneer families that have aided El Paso in civic activities for many years. The current Mayor of El Paso, Jonathan W. Rogers, is their son-in-law and has acted with power of attorney for Mrs. Murchison on her donations.

NO PUBLICITY

23. U. T. El Paso: Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund - Recommendation to Redesignate as The Woman's Auxiliary of UTEP Endowed Athletic Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Monroe's recommendation to redesignate the Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund at U. T. El Paso as The Woman's Auxiliary of UTEP Endowed Athletic Scholarship Fund.

This recommendation is being made in accordance with the donor's request.

BACKGROUND INFORMATION

The Don Haskins and Bill Yung Woman's Auxiliary of UTEP Athletic Fund was established at the October 1985 meeting of the U. T. Board of Regents with a \$10,000 gift from the Woman's Auxiliary of U. T. El Paso.

The Woman's Auxiliary of U. T. El Paso is a service organization that started in 1925. Its purpose is to support the interests of the University, promote solidarity between the City of El Paso and the University, and in general, improve the welfare of the student body.

24. U. T. San Antonio: Recommendation to Accept Two Gifts of Real Property in Kendall County, Texas, from Mr. and Mrs. Kenneth D. Muller of Boerne, Texas; Establish the Kenneth D. and Ada Muller Scholarship Fund; Authorize the Office of Asset Management to Negotiate the Sale of These Properties; and Authorize the Executive Vice Chancellor for Asset Management to Execute Documents Pertaining to the Sales.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Wagener to accept gifts of real property in Kendall County, Texas, as set forth below from Mr. and Mrs. Kenneth D. Muller of Boerne, Texas, to establish the Kenneth D. and Ada Muller Scholarship Fund at U. T. San Antonio:

- a. An undivided 1/4 interest in a 68.5% interest in 7.418 acres of River Trail Subdivision more specifically described as Lots 36, 37, 39, 68 and 122 recorded in Volume 1, Pages 55-56 of the Kendall County Plat Records
- b. An undivided 1/4 interest in an undivided 5% interest in 17.222 acres of Townsend Crossing more specifically described as Lots 1, 2, 4, 5, 6, 7, and 8 as recorded in Volume 1, Pages 169-170 of the Kendall County Plat Records

It is further recommended that the Office of Asset Management be authorized to negotiate the sale of these interests at fair market value and that the Executive Vice Chancellor for Asset Management be authorized to execute all documents pertaining to the sales.

BACKGROUND INFORMATION

According to the appraisals provided by the donors, the value of the parcel located in the River Trail Subdivision is \$90,500 and U. T. San Antonio's share of that amount is estimated to be approximately \$15,500; the value of the parcel located in Townsend Crossing is valued at \$1,350,000 and U. T. San Antonio's share of that amount is estimated to be approximately \$16,875.

25. U. T. Tyler: Recommendation to Accept Gift and Corporate Matching Funds to Establish the Jack and Dorothy Fay White Endowed Presidential Scholarship II.--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's recommendation to accept a gift of \$10,000 from Mr. and Mrs. John E. White, Jr., Tyler, Texas, and \$20,000 in corporate matching funds from the Atlantic Richfield Foundation, Los Angeles, California, for a total of \$30,000 to establish the Jack and Dorothy Fay White Endowed Presidential Scholarship II at U. T. Tyler.

Income earned from the endowment will be used to provide an annual scholarship to students who are in need of financial assistance in order to attend U. T. Tyler.

BACKGROUND INFORMATION

The first Jack and Dorothy Fay White Endowed Presidential Scholarship was established at the February 1986 meeting of the U. T. Board of Regents. Mr. John E. White, Jr., is a member of the U. T. Tyler President's Associates. From 1946 until 1960, he was associated with Sinclair Oil and Refinery which later became Atlantic Richfield.

26. U. T. Tyler: Recommendation to Accept Gift of Securities to Establish the Windsor-Richardson Endowed Visiting Professorship and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Hamm's recommendation to accept a gift of 3,579 shares of Boatman Bancshares common stock valued at approximately \$152,331.19 from Mrs. W. C. Windsor, Tyler, Texas, to establish the Windsor-Richardson Endowed Visiting Professorship at U. T. Tyler.

It is further recommended that the actual income which will be earned on the \$152,331.19 gift of securities be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

Mrs. Windsor is funding this endowment in honor of her late husband, Mr. Wilbur Windsor, and their daughter and son-in-law, the late Mr. and Mrs. Will Mann Richardson. Mrs. Windsor is active in Tyler community activities and is the past president of the East Texas Symphony Association and former head of the United Way. Mr. Windsor was a Tyler independent oil operator and served as Chairman of the Texas Board of Corrections from 1946 to 1952.

Mrs. Will Mann Richardson was a past Rose Festival Queen and served as a board member of the Texas Rose Festival Association. Her husband was President of the Texas Rose Festival and of the Tyler Chamber of Commerce.

27. U. T. Health Science Center - Dallas: Charles C. Sprague, M.D. Professorship - Recommendation to Accept Additional Gift and Redesignate as the Charles C. Sprague Chair.--

RECOMMENDATION

The Office of the Chancellor concurs with the request of the Southwestern Medical Foundation (an external foundation) that the Charles C. Sprague, M.D. Professorship at the U. T. Health Science Center - Dallas be redesignated as the Charles C. Sprague Chair. The increased funding required for the Chair will be provided by the Foundation which will hold and administer the funds per the agreement with the Board of Regents. The specific discipline for the Chair will be recommended at a later date.

BACKGROUND INFORMATION

The Charles C. Sprague, M.D. Professorship was established at the August 1982 U. T. Board of Regents' meeting to honor Dr. Charles C. Sprague, President of the U. T. Health Science Center - Dallas. In recognition of Dr. Sprague on his retirement as President, the Southwestern Medical Foundation has increased the endowment to be in excess of \$500,000.

28. U. T. Medical Branch - Galveston: Recommendation to Accept Transfer of Funds to Establish the James F. Arens Chair in Anesthesiology and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept a \$500,000 transfer from the U. T. Medical Branch - Galveston restricted funds to establish the James F. Arens Chair in Anesthesiology at the U. T. Medical Branch - Galveston.

It is further recommended that the actual income which will be earned on the \$500,000 transfer be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

James F. Arens, M.D., is Professor and Chairman of the Department of Anesthesiology and holder of the Rebecca Terry White Chair in Anesthesiology at the U. T. Medical Branch - Galveston. It is a significant honor that his peers, the faculty of the Department of Anesthesiology, voted to recognize Dr. Arens by naming this Chair in his honor.

29. U. T. Medical Branch - Galveston: Recommendation to Accept Gifts to Establish the G. W. N. Eggers, M.D., Memorial Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept \$57,000 in gifts from various donors to establish the G. W. N. Eggers, M.D., Memorial Fund at the U. T. Medical Branch - Galveston.

Income earned from the endowment will be used at the discretion of the Chief of the Division of Orthopedic Surgery to support division operations.

BACKGROUND INFORMATION

Dr. G. W. N. Eggers received his M.D. in 1923 from the U. T. Medical Branch - Galveston and taught at the institution until his death in May 1963. He became the first Professor of Orthopedic Surgery and Chief of the Division of Orthopedic Surgery in 1943. Dr. Eggers was the recipient of innumerable professional and academic honors and received international recognition for his research and inventions.

30. U. T. Medical Branch - Galveston: Recommendation to Accept Gift to Establish the John Woods Harris Chair in Surgery and Eligibility for Matching Funds Under the Texas Eminent Scholars Program.--

RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept a \$500,000 gift from The Sealy & Smith Foundation for the John Sealy Hospital, Galveston, Texas, to establish the John Woods Harris Chair in Surgery at the U. T. Medical Branch - Galveston.

It is further recommended that the actual income which will be earned on the \$500,000 gift be certified to the appropriate State authorities for matching under the Texas Eminent Scholars Program as set out in Chapter 51, Subchapter I, of the Texas Education Code, when matching funds are made available under that act.

BACKGROUND INFORMATION

Mr. John Woods Harris, Galveston, Texas, served on the Board of Directors of The Sealy & Smith Foundation for the John Sealy Hospital from October 1938 until his retirement in December 1985. One of his many outstanding contributions was his service as Chairman of the Real Estate Committee. The Sealy & Smith Foundation for the John Sealy Hospital is establishing this Chair in appreciation of Mr. Harris' 47 years of outstanding service.

31. U. T. Medical Branch - Galveston: Recommendation to Accept Gift of Securities and Pledge to Establish the Resident Academic Excellence Award.--

RECOMMENDATION

The Office of the Chancellor concurs with President Levin's recommendation to accept a gift of Teledyne, Inc. common stock valued at \$34,551.84 and a pledge of \$15,448.16 due in December 1986, for a total endowment of \$50,000 from Dr. and Mrs. Seymour Fisher, Galveston, Texas, to establish the Resident Academic Excellence Award at the U. T. Medical Branch - Galveston.

Income earned from the endowment will be used to award annual Academic Excellence Awards, one to a senior resident and one to a junior resident, in the Department of Psychiatry and Behavioral Sciences in the School of Medicine.

BACKGROUND INFORMATION

In 1978, Dr. Seymour Fisher, Professor, joined the faculty of the Department of Psychiatry at the U. T. Medical Branch - Galveston. Dr. and Mrs. Fisher wish to contribute to the continued growth and quality of the Department of Psychiatry's residency training program by establishing this Award.

32. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston): W. A. "Tex" and Deborah Moncrief, Jr., Chair - Recommendation to Redesignate as the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology.--

RECOMMENDATION

The Office of the Chancellor concurs with President LeMaistre's recommendation to redesignate the W. A. "Tex" and Deborah Moncrief, Jr., Chair at the U. T. M.D. Anderson Hospital - Houston of the U. T. Cancer Center as the W. A. "Tex" and Deborah Moncrief, Jr. Chair in Urology.

See related item set forth on Page HAC - 80, Item 9.

BACKGROUND INFORMATION

The W. A. "Tex" and Deborah Moncrief, Jr., Chair was established with a \$500,000 gift from Mr. W. A. "Tex" Moncrief, Jr., Fort Worth, Texas, and a \$500,000 transfer of funds from the Anderson Clinical Professorships Account at the February 1986 meeting of the U. T. Board of Regents.

Mr. W. A. "Tex" Moncrief, Jr., graduated from U. T. Austin in 1942 with a B.S. in petroleum engineering and is a well-known oil and gas producer. He has been a member of The University Cancer Foundation Board of Visitors since 1982.

B. REAL ESTATE MATTERS

1. U. T. System: Report of Sale of Real Estate (Lots 1-229 and 1-230, Block 16, Unit 1, Tahitian Village, Bastrop County, Texas) from Mr. Louis R. Scarnato, Mt. Prospect, Illinois, to Mr. and Mrs. Wesley E. Thompson, Bastrop, Texas.--

REPORT

The Office of the Chancellor reports that the gift of real property being Lots 1-229 and 1-230, Block 16, Unit 1, Tahitian Village, Bastrop County, Texas, from Mr. Louis R. Scarnato, Mt. Prospect, Illinois, has been sold to Mr. and Mrs. Wesley E. Thompson, Bastrop, Texas, for \$12,100 less settlement costs of \$510.15 for a net amount of \$11,589.85. This sale price exceeds the estimated market value of the property according to a recent appraisal. Net proceeds from the sale of this property are to be added to The Chancellor's Council Unrestricted Account.

BACKGROUND INFORMATION

The properties were a gift from Mr. Louis R. Scarnato for the benefit of the U. T. System and were accepted by the U. T. Board of Regents at its October 1983 meeting.

2. U. T. Cancer Center (U. T. M.D. Anderson Hospital - Houston) - Estate of Anise J. Sorrell: Report of Sale of Real Property in Montgomery County, Alabama, to Alabama Land Locators, Inc., Auburn, Alabama.--

REPORT

The Office of the Chancellor reports the sale of a 427.555 acre tract of land from the Estate of Anise J. Sorrell of Pike County, Alabama, for \$460 per acre to Alabama Land Locators, Inc., Auburn, Alabama, with no commission paid by The University of Texas System and reserving fifty per cent of the minerals presently owned by the University. The sales price of \$196,675.30 less settlement charges and expenses of \$4,154.33 provides a net amount of \$192,520.97 for the U. T. Cancer Center. In February 1986, the market value of the property was estimated to be \$500 per acre and the standard real estate commission in Alabama was eight percent. The net price of \$460 is equal to the amount which would have been received if the University had been required to pay real estate commissions.

The net proceeds of the sale have been made available for immediate investment, and a recommendation for the possible use of these funds for the establishment of an endowed professorship will be made at a future date.

BACKGROUND INFORMATION

At its July 1979 meeting, the U. T. Board of Regents, on behalf of the U. T. Cancer Center, received an undivided one-fifth interest in approximately 2750 acres of land in Montgomery County, Alabama, out of the Estate of Anise J. Sorrell of Pike County, Alabama, authorized the sale of its interest in the property, and authorized the Chairman of the Board to execute any documents necessary to affect the sale. At its February 1983 meeting, the U. T. Board of Regents authorized entering into a voluntary Partition Agreement after which fee simple title was received for approximately 425 acres.

IV. INTELLECTUAL PROPERTY

1. U. T. Austin: Recommendation to Accept Assignment of Copyrights in the Words to and Certain Musical Arrangements of "The Eyes of Texas" and to Establish the Andrew Gurwitz Memorial Scholarship Fund.--

RECOMMENDATION

The Office of the Chancellor concurs with the recommendation of President Cunningham that the U. T. Board of Regents accept an assignment of copyrights in the words and certain musical arrangements to "The Eyes of Texas" from Southern Music Company, San Antonio, Texas.

It is further recommended that the Board establish the Andrew Gurwitz Memorial Scholarship Fund to provide scholarships for U. T. Austin band members. Mr. Andrew Gurwitz is the deceased son of Mr. Arthur Gurwitz, President of Southern Music Company. The scholarships will be funded by Southern Music Company from income received by the company from certain reserved rights as set forth below.

The Assignment Agreement is set forth on Pages L&I 30 - 41.

BACKGROUND INFORMATION

Subject to certain pre-existing royalty rights, Mr. Arthur Gurwitz, President of Southern Music Company, has acquired the outstanding copyrights in the lyrics to and a specific musical arrangement of "The Eyes of Texas." Mr. Gurwitz desires to benefit U. T. Austin by transferring these copyrights to the U. T. Board of Regents, on behalf of U. T. Austin, subject to the right of Southern Music Company to publish and sell sheet music embodying the copyrighted works. The Agreement further provides for a sharing of income from performances of the copyrighted works and the establishment of a scholarship in the name of Mr. Gurwitz's deceased son to be funded from a portion of the income reserved to Southern Music Company.

The pre-existing royalty rights are vested in the author of the words, and the originators of the musical arrangement. Even though these charges can be as high as 50% for some uses, they are standard for the industry.

The Agreement contains the following key provisions:

1. Southern Music Company will retain the unrestricted right to sell sheet music and lyrics to the copyrighted version of "The Eyes of Texas" without accounting to the U. T. Board of Regents. Southern Music will, however, be obligated to pay any pre-existing copyright royalties owed to others by virtue of such sales. At least some of this music will be sold in folders that have been separately licensed under the U. T. Board of Regents' trademark policy and for which a royalty will be paid under the trademark license.
2. Proceeds stemming from American Society of Composers and Publishers (ASCAP) payments to Southern Music Company for public performances of the copyrighted items will be distributed by Southern Music Company as follows:
 - a. 50% of net payments will be placed in the Andrew Gurwitz Memorial Scholarship Fund for establishment of a band scholarship at The University of Texas at Austin. The Scholarship contribution from Southern Music Company will be at least \$500 per year regardless of ASCAP earnings. Thus, Southern Music Company will make up the difference between a shortfall in ASCAP earnings and the \$500.
 - b. U. T. Austin will have the unrestricted use of the remaining 50%
 - c. Southern Music Company will pay all pre-existing royalties due to the previous copyright owners out of the proceeds received from ASCAP before distributions are made to the Scholarship fund and U. T. Austin.

PRELIMINARY DRAFT

FOR DISCUSSION
PURPOSES ONLY

AGREEMENT

This Agreement is made this ____ day of _____, 1986, between Southern Music Company (the "Publisher") and The Board of Regents of the University of Texas (the "University"). The Publisher and University agree:

1. The Publisher currently is the sole owner, with no outstanding licenses by or through the Publisher, of the registered copyright, Registration Number _____, of the lyrics of the composition known as "The Eyes of Texas" (the "Work"), by virtue of a copyright assignment from Wylbert Brown ("Brown"), dated the ____ day of _____, 1986, which was recorded in the Registrar's Office of the Library of Congress, Washington, D.C., on the ____ day of _____, 198_, a copy of which assignment is attached hereto as Exhibit "A" and incorporated herein by reference (collectively the "Lyric's Copyright").

2. The Publisher is also currently the sole owner, with no outstanding licenses by or through the Publisher, of the registered copyright S578, "The Eyes of Texas" for marching band, by Glen Richter, Vincent DiNino, Tom Rhodes, including words by Wylbert Brown, which was recorded with the Registrar's Office of the Library of Congress, Washington, D.C., on the ____ day of _____, 198_, Registration Number _____, a copy of said Copyright Agreement being attached hereto as Exhibit "B" and incorporated herein by reference (collectively the "Marching Band Composition Copyright").

3. Publisher hereby sells, assigns, transfers and delivers to the University, its successors and assigns, any and all interests which the Publisher may own or possess in the Lyric's Copyright and the Marching Band Composition Copyright by reason of this Assignment, but the University shall accept this Assignment subject to the obligations for any payments to Brown during his lifetime as provided in the attached Exhibit "A" and to Brown (through Southern Music Company), to Glen Richter, Vincent DiNino and Tom Rhodes, by virtue of the attached Exhibit "B", and the University hereby authorizes the Publisher to make any and all such payments for its account.

4. The Publisher retains the right to be the sole publisher and distributor of sheet music for the Lyric's Copyright and the Marching Band Composition Copyright for fifty (50) years or until the related copyright expires, whichever is sooner. As such, Publisher may regulate the published retail selling price and any discounts thereof, and Publisher may sell the sheet music of the Lyric's Copyright or the Marching Band Composition Copyright to such parties and at such discount as Publisher deems appropriate; provided, however, that Publisher agrees to publish the Marching Band Composition in quantities and at prices suitable to meet demand.

5. The Publisher neither retains nor claims any performance rights to the Lyric's Copyright or the Marching Band Composition Copyright and hereby assigns to the University any such rights the Publisher may have or hereafter acquire therein.

6. Fifty percent (50%) of any and all ASCAP payments received by the Publisher or the University relating to the Lyric's Copyright or the Marching Band Composition Copyright shall be placed in a fund for the Andrew Gurwitz Memorial Scholarship (the "Fund"), which is to be hereinafter created in accordance with normal procedures of the University. The University will be entitled to unrestricted use of the remaining fifty percent (50%) of the ASCAP payments received by the Publisher or the University, but the Publisher requests (without any obligation on behalf of the University) that this share be given to the Longhorn Band at the University of Texas at Austin.

7. The Andrew Gurwitz Memorial Scholarship shall be created by the University in memory of Andrew Gurwitz to provide an annual scholarship(s) for a member(s) of the Longhorn Band at the University of Texas at Austin, in such manner and amount, and based upon such criteria as the University may from time to time determine, and the scholarship shall be funded by the proceeds hereinabove allocated to the Fund together with such other contributions to the Fund which may be received. The Publisher guarantees that ASCAP payments and/or payments from the Publisher to the University each year will be at least Five Hundred and No/100 Dollars (\$500.00) to establish the Fund.

8. This Agreement contains the entire agreement and understanding between the parties. It shall not be amended or revoked orally, and shall be amended only by written agreement of both parties hereto. This agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Bexar County, Texas.

In witness whereof, the parties hereto have executed this Agreement the same date first written above.

PUBLISHER:

SOUTHERN MUSIC COMPANY

By: Arthur Gurwitz
Arthur Gurwitz, President

CONTENT APPROVED:

(For The University of Texas
at Austin)

By: W. H. L. A.

Title: President

FORM APPROVED:

Office of General Counsel
The University of Texas System

CONTENT APPROVED:

(For The University of Texas
System)

By: _____

Title: _____

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By: _____

Title: _____

AGREEMENT - Page 3 of 4 Pages

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the ____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

AGREEMENT - Page 4 of 4 Pages

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PRELIMINARY DRAFT

FOR DISCUSSION
PURPOSES ONLY

LYRIC'S COPYRIGHT ASSIGNMENT

This Agreement is made this _____ day of _____, 1986, between Wylbert Brown ("Brown") and Southern Music Company (the "Publisher"). Brown and Publisher agree:

1. Brown hereby sells, assigns, transfers and delivers to the Publisher, its successors and assigns, any and all rights of any nature which Brown now has or may hereafter acquire in the words to the song "The Eyes of Texas", which is considered to be the official song (alma mater) of the University of Texas at Austin (said words being hereafter referred to as the "Work"), including the tangible original composition and original of the manuscript thereof, if any, as well as the exclusive ownership of all copyrights and all extensions and renewals of copyright therein throughout the world, together with all rights embraced therein, and further including specifically the following copyrights (including their renewals) registered on the following dates with the Registrar's Office of the Library of Congress, Washington, D.C.: May 27, 1929, Registration No. 7107, and on February 27, 1930, Registration No. 13625; Renewal No. _____ on the _____ day of _____, 19__ (collectively the "Lyric's Copyright").

2. Brown hereby covenants, represents and warrants that he is the sole owner of the Lyric's Copyright (and renewal) and all rights therein, and that he has not sold, assigned, set over or transferred, hypothecated or mortgaged any right, title, license or interest in or to the Lyric's Copyright or any part thereof, and that to Brown's knowledge no person, firm or corporation (other than the University of Texas) has asserted any claim of any right or interest in the Lyric's Copyright.

3. In consideration for the conveyance of the Lyric's Copyright, the Publisher agrees that during Brown's lifetime the Publisher will pay to Brown:

A. In respect to any sheet music copies, including regular piano copies, or books or octavo copies including the Work and orchestrations and/or band arrangements sold by the Publisher and paid for in the United States of America, its territories or possessions, a royalty of ten percent (10%) of

the retail net selling price thereof as such price may be regulated by the Publisher. As to copies sold by the Publisher outside the United States, its territories or possessions, one-half (1/2) of the aforesaid royalties shall be payable.

B. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect of any licenses issued authorizing manufacturer of parts of instruments serving to reproduce mechanically any composition including the Work (referring to player rolls, which includes commercial phonograph records, so-called electrical transcriptions, and similar devices).

C. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect of any license issued authorizing the recording of any composition which include the Work, which is in synchronization with sound motion pictures.

D. A royalty of fifty percent (50%) of all net sums received by the Publisher in respect to the licensing of public performance of any composition directly by the Publisher which includes the Work, if licensed directly by the Publisher to the user for a fixed compensation; but no royalties shall be payable hereunder in respect of licensing of public performance of any composition which include the Work which is through the intervention of ASCAP (American Society of Composers, Authors and Publishers) as a result of any agreement between Publisher and ASCAP, any composer and ASCAP, or any similar organization or society in the United States or any foreign country.

E. A royalty of fifty percent (50%) of all net sums received by reason of the loan or rental of copies of the Work.

F. No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes,

professional copies, copies published in newspapers, magazines or other periodicals.

4. With respect to the revenue generating activities under said Lyric's Copyright involving any composition which includes the Work, any of the monies otherwise payable under Sections 3(A) through 3(F), above, will be shared in equal shares between Brown and each of any other writer(s)/arranger(s) or other royalty-entitled contributors of such composition.

5. Brown will at any time and from time to time hereafter, take such steps and execute and deliver such further documents as the Publisher may reasonably request for the purpose of confirming and enforcing the rights in the Lyric's Copyright herein assigned to the Publisher.

6. This Agreement contains the entire agreement and understanding between the parties. It shall not be amended or revoked orally, and shall only be amended by written agreement of both parties hereto. This agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Bexar County, Texas.

7. The rights of Publisher in and to the Lyric's Copyright are assignable.

8. This Agreement shall be for a term from the date hereof until the expiration of the terms of all available protection of the Lyric's Copyright throughout the World.

9. This Agreement shall bind the heirs, executors, administrators and assigns of the parties hereto.

10. Notwithstanding the above, it is expressly understood that no monies whatsoever are due hereunder to any entity for activities occurring after the death of Brown.

In witness whereof, the parties hereto have executed this Agreement the same date first written above.

BROWN:

Wylbert Brown

LYRIC'S COPYRIGHT ASSIGNMENT - Page 3 of 4 Pages

PUBLISHER:

SOUTHERN MUSIC COMPANY

By: _____
Arthur Gurwitz, President

STATE OF OREGON §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on the _____ day of _____, 1986 by Wylbert Brown.

Notary Public, State of Oregon
Notary's Printed Name:

My Commission Expires:_____

STATE OF TEXAS §
 §
COUNTY OF BEXAR §

This instrument was acknowledged before me on the _____ day of _____, 1986 by Arthur Gurwitz, President of SOUTHERN MUSIC COMPANY.

Notary Public, State of Texas
Notary's Printed Name:

My Commission Expires:_____

COMPOSERS CONTRACT

AGREEMENT made this 14th day of November, 1985, between
 SOUTHERN MUSIC COMPANY (hereinafter called "Publisher")
 and
 GLENN A. RICHTER

jointly and/or severally, (hereinafter called "Writer(s)");

1. The writer(s) hereby sells, assigns, transfers and delivers to the Publisher, its successors and assigns, a certain heretofore unpublished original composition and the manuscript thereof, by the above-named Writer(s), now entitled
 S579 TEXAS FIGHT arranged for marching band by Glenn A. Richter, Vincent Di Nino,
 and Tom C. Rhodes

including the title, words, if any, and music thereof, and the right to secure and the exclusive ownership of all copyrights, and all extensions and renewals of copyright therein throughout the world, together with all rights embraced therein; including each and every right to enjoy and/or to use said composition, which the Writer(s) now owns or which may be hereafter created or developed, to the same extent that the Writer(s) might have and enjoy if this conveyance had not been made; all of which work and rights are hereby conveyed, to have and to hold the same absolutely unto the Publisher, its successors and assigns forever.

2. The Writer(s) hereby covenants, represents and warrants that the composition hereby sold is an original work and that neither said work nor any part thereof infringes upon the title of or the literary or musical property in any work protected by copyright throughout the world, and that he is the sole owner thereof and of all rights therein, and that he has not sold, assigned, set over, transferred, hypothecated or mortgaged any right, title or interest in or to the said composition or any part thereof, and that no person, firm or corporation other than the Writer(s) has or has had, claims or has claimed any right, title or interest in or to said work or any part thereof or any use thereof or any copyright therein, and that the Writer(s) has full right, power and authority to make this present instrument of sale and transfer.

3. In consideration of this agreement the Publisher agrees to pay to the Writer(s) his heirs or assigns, as follows:
- (A) In respect of regular piano copies or other sheet music copies or books or octavo copies sold and paid for in the United States of America, a royalty of TEN (10%) percent of the retail net selling price thereof as such price may be regulated by the Publisher. In respect of orchestrations and/or band arrangements, sold and paid in the United States of America, a royalty of TEN (10%) percent of the retail net price thereof as such price may be regulated by the Publisher. As to copies sold by the Publisher outside the United States, its territories or possessions, one-half (½) of the aforesaid royalties shall be payable.
 - (B) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any licenses issued authorizing manufacturer of parts of instruments serving to reproduce mechanically the said composition (referring to player rolls, ordinary commercial phonograph records, so-called electrical transcriptions, and similar devices).
 - (C) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any license issued authorizing the recording of the said composition in synchronization with sound motion pictures.
 - (D) A royalty of FIFTY (50%) percent of all net sums received by the Publisher from foreign sources except as otherwise herein provided.
 - (E) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect to the licensing of public performance of said composition directly by the Publisher to the user for a fixed compensation; but no royalties shall be payable in respect of licensing of public performance of said composition through the intervention of ASCAP (American Society of Composers, Authors and Publishers) as a result of an agreement between Publisher and ASCAP, composer and ASCAP, or any similar organization or society in the United States or any foreign country.
 - (F) A royalty of FIFTY (50%) percent of all net sums received by reason of the loan or rental of copies of said composition.

(G) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which even this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
<u>GLENN A. RICHTER</u>	<u>One-quarter as set out in paragraph 3 above</u>
<u>VINCENT DI NINO</u>	<u>One-quarter as set out in paragraph 3 above</u>
<u>TOM C. RHODES</u>	<u>One-half as set out in paragraph 3 above</u>

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Witness

Kenan O. Stark

Witness

Writer

SOUTHERN MUSIC COMPANY

by: *Walter J. [Signature]*

COMPOSERS CONTRACT

AGREEMENT made this 14th day of November, 1985, between

SOUTHERN MUSIC COMPANY (hereinafter called "Publisher")

and

GLENN A. RICHTER

jointly and/or severally, (hereinafter called "Writer(s)");

1. The writer(s) hereby sells, assigns, transfers and delivers to the Publisher, its successors and assigns, a certain heretofore unpublished original composition and the manuscript thereof, by the above-named Writer(s), now entitled

S578 THE EYES OF TEXAS arranged for marching band by Glenn A. Richter, Vincent DiNino, Tom C. Rhodes, words by Wylbert Brown

including the title, words, if any, and music thereof, and the right to secure and the exclusive ownership of all copyrights, and all extensions and renewals of copyright therein throughout the world, together with all rights embraced therein; including each and every right to enjoy and/or to use said composition, which the Writer(s) now owns or which may be hereafter created or developed, to the same extent that the Writer(s) might have and enjoy if this conveyance had not been made; all of which work and rights are hereby conveyed, to have and to hold the same absolutely unto the Publisher, its successors and assigns forever.

2. The Writer(s) hereby covenants, represents and warrants that the composition hereby sold is an original work and that neither said work nor any part thereof infringes upon the title of or the literary or musical property in any work protected by copyright throughout the world, and that he is the sole owner thereof and of all rights therein, and that he has not sold, assigned, set over, transferred, hypothecated or mortgaged any right, title or interest in or to the said composition or any part thereof, and that no person, firm or corporation other than the Writer(s) has or has had, claims or has claimed any right, title or interest in or to said work or any part thereof or any use thereof or any copyright therein, and that the Writer(s) has full right, power and authority to make this present instrument of sale and transfer.

3. In consideration of this agreement the Publisher agrees to pay to the Writer(s) his heirs or assigns, as follows:

- (A) In respect of regular piano copies or other sheet music copies or books or octavo copies sold and paid for in the United States of America, a royalty of TEN (10%) percent of the retail net selling price thereof as such price may be regulated by the Publisher. In respect of orchestrations and/or band arrangements, sold and paid in the United States of America, a royalty of TEN (10%) percent of the retail net price thereof as such price may be regulated by the Publisher. As to copies sold by the Publisher outside the United States, its territories or possessions, one-half (½) of the aforesaid royalties shall be payable.
- (B) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any licenses issued authorizing manufacturer of parts of instruments serving to reproduce mechanically the said composition (referring to player rolls, ordinary commercial phonograph records, so-called electrical transcriptions, and similar devices).
- (C) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect of any license issued authorizing the recording of the said composition in synchronization with sound motion pictures.
- (D) A royalty of FIFTY (50%) percent of all net sums received by the Publisher from foreign sources except as otherwise herein provided.
- (E) A royalty of FIFTY (50%) percent of all net sums received by the Publisher in respect to the licensing of public performance of said composition directly by the Publisher to the user for a fixed compensation; but no royalties shall be payable in respect of licensing of public performance of said composition through the intervention of ASCAP (American Society of Composers, Authors and Publishers) as a result of an agreement between Publisher and ASCAP, composer and ASCAP, or any similar organization or society in the United States or any foreign country.
- (F) A royalty of FIFTY (50%) percent of all net sums received by reason of the loan or rental of copies of said composition.

(G) No royalties shall be paid upon complimentary copies, copies distributed gratuitously for advertising purposes, professional copies, copies published in newspapers, magazines or other periodicals.

4. The Publisher agrees to publish in salable form the said musical composition within two years from the date hereof. Should the Publisher fail to do, the Writer(s) shall have the right in writing to demand the return of said composition, whereupon the Publisher must, within one month after receipt of said notice, either publish the said composition, in which even this agreement remains in full force and effect, or upon failure so to publish, all rights of any and every nature, and the right to secure copyright, and/or any copyright, secured by the Publisher before publication in and to the said composition, shall revert to and become the property of the Writer(s) and shall be reassigned to him, in which event the Publisher shall be relieved of all duty, liability and responsibility hereunder.

5. In furtherance of the terms of this grant, and in order to insure to the Publisher the full, complete and unrestricted enjoyment of the composition and the copyright therein hereby conveyed, as well as of all extensions and renewals of said copyright, the Writer(s) hereby agrees to sign any and all applications, documents, affidavits, assignments or other instruments of whatsoever kind that may be necessary from time to time in order to procure for and to assign to the Publisher any and all extensions and renewals of copyright.

6. The Writer agrees to co-operate with the Publisher to establish and maintain the rights, title and interest of the Publisher in the above composition, and specifically authorizes the Publisher at its discretion and at the Writer's expense to employ attorneys and to institute and defend any action or proceeding and to take any other steps proper to protect the rights of the Publisher in the above composition. The Publisher has sole authority to litigate, settle, compromise or in any manner dispose of any claim, action or proceeding and to satisfy any judgment that may be rendered. The Writer shall pay such expenses to the Publisher on demand. Whenever the Publisher's right, title or interest to any of the the Writer's works are questioned or there is a breach of any of the covenants, warranties or representations contained in this Contract or in any similar contract between the Publisher and the Writer, the Writer further authorizes the Publisher to withhold any and all royalties that may be or become due to the Writer pursuant to all such contracts until such questions shall have been settled or such breach repaired.

7. The Writer(s) agree that he will not transfer nor assign this agreement nor any interest therein nor any sums that may be or become due hereunder without the written consent of the Publisher first hereon endorsed.

8. The Publisher agrees that it will render statement of and pay unto the Writer within a reasonable time after January 1st and July 1st of each year, all royalties earned by the Writer and then due and owing, excepting balances due and owing of less than Five Dollars (\$5.00) which shall be paid at such time as Five Dollars (\$5.00) is accrued in the Writer's account.

9. The Agreement contains the entire agreement and understanding between the parties. It may not be changed or revoked orally, but may only be amended by written agreement of both parties hereto. This Agreement shall be construed and interpreted in accordance with the laws of the State of Texas and is performable in San Antonio, Texas.

10. It is understood and agreed by and between all of the parties hereto that all sums hereunder payable jointly to the Writer(s) shall be divided amongst them respectively as follows:

Name	Share
GLENN A. RICHTER	One-quarter as set out in paragraph 3 above
VINCENT DI NINO	One-quarter as set out in paragraph 3 above
TOM C. RHODES	One-quarter as set out in paragraph 3 above
WYLBERT BROWN	One-quarter as set out in paragraph 3 above

In witness whereof the parties hereto have executed this agreement the day and year first above written.

Witness

Writer

SOUTHERN MUSIC COMPANY

by:

Witness

2. U. T. Health Science Center - Houston: Recommendation to Enter into a License Agreement Involving Cryopreparation with CryoM Corporation, The Woodlands, Texas, a Delaware Corporation.--

RECOMMENDATION

The Office of the Chancellor concurs with President Bulger's recommendation that the U. T. Board of Regents enter into a License Agreement with CryoM Corporation, The Woodlands, Texas, formed by a Mitchell Energy and Development Corporation subsidiary, for the licensing of certain patent rights and technical information as set out on Pages L&I 44 - 72.

BACKGROUND INFORMATION

The patent rights and technical information licensed under this agreement relate to a process referred to as cryopreparation. This process involves an ultra low temperature technique for preparing tissues for microscopic examination without the cell destruction that is encountered in other low temperature processes currently in use. There are other potential uses for this process, such as, preservation of tissue for future use in transplants. The technique was pioneered and developed by Dr. John Linner (a faculty member at the U. T. Health Science Center - Houston) and then became known as "The Linner Process." Dr. Stephen A. Livesey, who worked with Dr. Linner on this process, is a subsequent co-inventor. The Woodlands Venture Capital Company, a subsidiary of Mitchell Development, after considerable investigation, has elected to form a new capital stock corporation named CryoM Corporation to commercially develop The Linner Process. Accordingly, they have negotiated with the U. T. System to acquire exclusive, worldwide license rights from the U. T. Board of Regents. The culmination of these negotiations is represented by the subject License Agreement.

This agreement differs from the usual patent license in that it provides for the distribution of stock to the U. T. Board of Regents on behalf of the U. T. Health Science Center - Houston and the right of the U. T. Board of Regents to designate a representative on the Board of Directors of CryoM. Also each of the two inventors will separately receive extrinsic distributions of non-voting capital shares. (This is estimated to be individually less than 10% of the post financing equity from founders stock. Therefore, there is no conflict of interest under State Statutes, the Regents' Rules and Regulations and Attorney General Opinions.) This distribution is partly attributable to the strong desire of The Woodlands Venture Capital Company's management that the key developers of the licensed process be rewarded on a long-term basis since they prefer that the inventors remain with the Health Science Center and go forward with additional cryopreparation research.

CryoM contemplates the construction and operation of cryopreparation apparatus at various locations where they will charge a service fee for each cryopreparation effort, usually on materials furnished by the customer. The unique tissue preservation attributes of the process enables production of electron microscopy photographs of unprecedented clarity. An enormous demand for this service is predicted by The Woodlands Venture Capital Company. Other uses of significant potential, such as cornea preparation, are also expected.

In addition to the stock distribution to the U. T. Board of Regents and the inventors, CryoM will also provide \$360,000 to the U. T. Health Science Center - Houston over a three-year period for additional research. Operations under the License Agreement require the payment to the U. T. Board of Regents of 3% of net sales under the patented processes and 2% of the net sales resulting from use of unpatented technology. There is a five year limit on payment for unpatented technology.

Other major provisions are summarized as follows:

- a. After \$10,000,000 of royalties are received, the royalty rate is decreased by 50%
- b. A right of termination after three years if CryoM has not commercialized
- c. Reimbursement to the Board for additional patent filing expenses
- d. An indemnification and hold harmless to the Board and System for CryoM's operations pursuant to this license.

EXCLUSIVE LICENSE AGREEMENT

This Agreement, effective as of _____, 1986, is entered into by and between The Board of Regents (hereinafter "BOARD") of The University of Texas System (hereinafter "SYSTEM"), a higher education agency of the State of Texas, whose address is 201 West 7th Street, Austin, Texas 78701 and CryoM Corp. (hereinafter "LICENSEE"), a Delaware corporation, whose address is 2201 Timberloch Place, The Woodlands, Texas 77380.

WITNESSETH:

WHEREAS, BOARD is the owner of the BOARD Patent Rights and BOARD Technical Information, as hereinafter defined, developed by the University of Texas Health Science Center at Houston (hereafter "UTHSCH"), a component institution of said SYSTEM; and

WHEREAS, LICENSEE is desirous of obtaining a world-wide, non-assignable (except as expressly provided herein), exclusive license, with the right to grant sublicenses, under the BOARD Patent Rights and BOARD Technical Information; and

WHEREAS, LICENSEE desires the right to use the names Board of Regents, The University of Texas System and The University of Texas Health Science Center-Houston to the extent necessary to enforce and protect LICENSEE's rights hereunder; and

WHEREAS, BOARD desires to grant LICENSEE such a world-wide, exclusive license under the following terms and conditions;

NOW, THEREFORE, in consideration of the foregoing, and the covenants and promises contained herein, the sufficiency of which are hereby acknowledged by both parties, BOARD and LICENSEE hereby agree as follows:

I.

DEFINITIONS

A. The term "BOARD Patent Rights", when used herein, shall mean those United States and foreign patents and patent applications or prospective patent applications, including any division, continuation, continuation-in-part or reissue thereof, or substitute therefor, and the letters patent that may be issued thereon, which relate to the Licensed Subject Matter; together with all other patents and patent applications, which claim any invention or discovery useful in connection with the Licensed Subject Matter, developed or invented by John Linner and Stephen Livesey, or either of them, during the life of the BOARD Patent Rights, in which BOARD now has or in the future acquires any interest. Without limiting the generality of the preceding sentence, the term "BOARD Patent Rights" shall include, but not be limited to, the patents and patent applications listed on Schedule I.(A) which is attached to this Agreement and incorporated herein by reference for all purposes.

B. The term "BOARD Technical Information", when used herein, shall mean (i) any technical information disclosed or claimed in connection with any patent or patent application included within the BOARD Patent Rights; and (ii) any invention, discovery, know-how, process, procedure, method, protocol, formula,

technique, software, design, drawing, data, devices, specifications, sketches or other technical information relating to the Licensed Subject Matter.

C. The term "Licensed Patented Product or Process", when used herein, shall mean any product, apparatus or process made, used, marketed or sold in any country where such product, apparatus or process is covered by the claims of an issued patent or a pending patent application included within the BOARD Patent Rights, together with any product made by the use of any process in a country in which such process or apparatus is covered by the claims of an issued patent or a pending patent application included within the BOARD Patent Rights.

D. The term "Licensed Non-Patented Product or Process", when used herein, shall mean any product, apparatus or process utilizing or relating to the Licensed Subject Matter which is manufactured, used, marketed or sold with the use of any BOARD Technical Information (but which are not covered by BOARD Patent Rights), together with any product utilizing the Licensed Subject Matter which is manufactured by a process or apparatus which uses any BOARD Technical Information.

E. The term "Licensed Subject Matter" shall mean the system, apparatus or process developed by Dr. John Linner for the preparation of materials for analysis and/or preservation. This process, in general, involves (i) vitrifying the material, (ii) depressurizing the atmosphere surrounding the vitrified material, (iii) bringing the material to equilibrium at low temperature, and (iv) dehydrating the vitrified material.

F. The term "Net Sales", when used herein, shall mean the amount received or collected from commercial sales or other use or disposition for value of Licensed Patented Products or Processes and Licensed Non-Patented Products or Processes to independent, unrelated third parties in bona fide arms-length transactions, f.o.b. place of manufacture or point of storage, less (i) cash, trade and/or quantity discounts, (ii) amounts repaid or credited by reason of rejections, defects or returns or because of retroactive price reductions, (iii) re-imbursed transportation costs, storage costs, or other re-imbursed expenses, and (iv) sales taxes and other use taxes.

G. The term "Improvement", when used herein, shall mean any change or modification to an invention disclosed in the BOARD Patent Rights or disclosed in the BOARD Technical Information, provided such modification, if unlicensed, would infringe one or more claims of any issued patent included within the BOARD Patent Rights.

H. The term "Subsidiary" shall mean a corporation or other entity of which LICENSEE or any of LICENSEE's Subsidiaries owns or controls such number of outstanding shares or other interests aggregating more than 50% of the ordinary voting power for the election of directors or the exercise of control.

II.

GRANT OF RIGHTS

A. BOARD hereby grants to LICENSEE an exclusive, worldwide license, including the right to grant sublicenses, under the

BOARD Patent Rights and the BOARD Technical Information to manufacture, use, market and sell any Licensed Patented Product or Process and any Licensed Non-Patented Product or Process and any Improvement throughout the United States of America, its territories and possessions and in all foreign countries.

B. BOARD hereby grants to LICENSEE the right to use the name "Board of Regents, The University of Texas System" and "The University of Texas Health Science Center-Houston" to the extent necessary to enforce and protect LICENSEE's rights hereunder; provided however, that LICENSEE shall not be obligated to use the name "Board of Regents, The University of Texas System" or "The University of Texas Health Science Center" in any manner.

C. BOARD hereby grants to LICENSEE the right of access to, during normal business hours, and the use of, all experimental or other data which relate in any manner to the BOARD Patent Rights or the BOARD Technical Information, including without limitation, all data which BOARD has provided to the United States Patent Office, the Food and Drug Administration (FDA) or any other state, federal foreign or local regulatory authority which relate in any manner to the BOARD Patent Rights or the BOARD Technical Information, and BOARD agrees that it will not use, or permit the use of, such information and data, or do anything else which will adversely affect LICENSEE's rights under this Agreement in any manner. BOARD shall cooperate fully with LICENSEE, at LICENSEE's expense, in order to obtain the regulatory approval of any state, federal, foreign or local authority which now is or later becomes necessary to develop, manufacture, use, market or sell any

Licensed Patented Product or Process, Licensed Non-Patented Product or Process or Improvement. Such cooperation shall include, but not be limited to, obtaining all necessary regulatory approvals which are now required, or may in the future be required, to manufacture, use, market or sell any Licensed Patented Product or Process, Licensed Non-Patented Product or Process or Improvement for use on human or animal tissue or organs, or plant tissue. BOARD shall execute any and all documents reasonably necessary to obtain such approvals upon request by LICENSEE. LICENSEE shall reimburse BOARD for any reasonable out-of-pocket costs, including attorneys' fees, incurred by BOARD in connection with such cooperation.

D. BOARD, through UTHSCH or other components of SYSTEM, shall promptly provide LICENSEE and shall continue to provide LICENSEE, during the term of this Agreement, with all information relating to (i) pharmacological, toxicological or clinical data, (ii) synthetic, formulative, manufacturing or analytical data, and (iii) such other chemical, physical or biological data which BOARD may now or in the future possess or control which relates in any manner to the Licensed Subject Matter, except for that information made confidential by law or prior agreement.

E. The parties recognize that LICENSEE may encounter patents held by third parties which dominate activities covered by the BOARD Patent Rights and that cross-licenses between the BOARD (or LICENSEE) and such third parties may be necessary in order to enable LICENSEE to make or market Licensed Patented Products or Processes or Licensed Non-Patented Products or

Processes or Improvements. In that event, LICENSEE has the right to enter into cross-licensing agreements with third parties and to grant cross-licenses under any or all of the BOARD Patent Rights, provided:

1. BOARD is consulted beforehand and is reasonably satisfied that the third party does in fact hold a patent that limits LICENSEE's competitiveness in making or marketing Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes;

2. The rights received by LICENSEE under such cross-licensing agreement cover only Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes and are not directed to other products;

3. BOARD incurs no financial or legal liabilities under the cross-licensing;

4. Any money or the value of any equipment received by LICENSEE in exchange for such cross-licensing is treated as Net Sales for Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes.

III.

COMMON STOCK

In consideration of the right to use the names set forth in Section II.B. above in connection with the grant by BOARD to LICENSEE of this license, LICENSEE agrees that, upon execution of this Agreement by BOARD, it shall issue BOARD 650,000 shares of its Common Stock, \$.001 par value. In addition, LICENSEE agrees to reserve a seat on its Board of Directors for a designee selected by BOARD, until the closing of the first public offering of equity securities by LICENSEE.

IV.

ROYALTIES

A. In consideration of the grant by BOARD to LICENSEE of this license, LICENSEE shall pay to BOARD as follows:

1. An earned royalty of three percent (3%) of the Net Sales of a Licensed Patented Product or Process by LICENSEE or its Subsidiaries in each country where a patent included within the BOARD Patent Rights issues, or a patent application has been filed and is pending, with claims covering such Licensed Patented Product or Process, until the expiration, termination or invalidation of the patent in that country by a Court of final jurisdiction or the determination that a patent will not issue in that country.

2. An earned royalty of two percent (2%) of the Net Sales of a Licensed Non-Patented Product or Process by LICENSEE or its Subsidiaries during the term of this Agreement.

3. An earned royalty of thirty-three percent (33%) of the Net Sales of a Licensed Patented Product or Process and Licensed Non-Patented Product or Process by sublicensees of LICENSEE or its Subsidiaries, such royalty to be measured upon and based on the actual proceeds received by LICENSEE or its Subsidiaries under the Sublicense Agreement and not the total net sales generated by the marketing or distribution of the Licensed Patented Products or Processes and the Licensed Non-Patented Products or Processes by the sublicensee; provided however, that such royalty under this Section IV.A.3. shall not in any event exceed that amount which would otherwise be due and payable under Section IV.A.1. or IV.A.2., as the case may be, had such royalties been paid. Such earned royalty shall be due for as long as LICENSEE or its Subsidiary is receiving proceeds from the sublicensee, but not in excess of the duration of this Agreement.

4. In no event will LICENSEE be obligated to pay royalties under Sections IV.A.1., IV.A.2. and IV.A.3. simultaneously for Net Sales of any particular product or process in any given country. A single royalty will be due on each sale of Licensed Patented Products or Processes no matter how many items in the BOARD Patent Rights cover such Licensed Patented Products or Processes. All obligations of LICENSEE to pay royalties to BOARD under any provision of this Agreement shall be reduced in amount by fifty percent (50%) when the total amount of royalties paid to BOARD by LICENSEE shall reach Ten Million Dollars (\$10,000,000). No royalty shall be paid on a Licensed Patented

Product or Process after the BOARD Patent Rights covering said Licensed Patented Product or Process have expired.

5. Earned royalties under Section IV.A.2. shall accrue in each country only for the period that the LICENSEE is the exclusive commercial source in that country of a Licensed Non-Patented Product or Process and in any event shall terminate five years after the date of first commercial sale in that country of such Licensed Non-Patented Product or Process. The term "exclusive commercial source" as used above shall mean that the LICENSEE is the sole commercial source of the Licensed Non-Patented Product or Process in that country and that there is no commercial product available in that country that is substantially equivalent in market acceptance. If the LICENSEE believes that it is not the exclusive commercial source of a Licensed Non-Patented Product or Process in any designated country, then it shall so notify the BOARD and provide reasonable evidence thereto. Within 45 days of receipt of said notice and evidence, BOARD shall notify the LICENSEE in writing of its acceptance or rejection of the evidence as to the existence of another commercial source. Upon acceptance by the BOARD, the LICENSEE shall, as of said date of acceptance, no longer have any obligation to pay royalties on Net Sales in that country under Section IV.A.2. herein. If rejected by BOARD, the LICENSEE may request arbitration in the manner set forth in Article XIV herein.

6. BOARD agrees that in order to successfully market products and processes covered by this Agreement, LICENSEE must have complete freedom in marketing. Thus, BOARD understands that

LICENSEE makes no warranty that it will market the products or processes covered by this Agreement or, if LICENSEE does market any of such products or processes, that they will be the exclusive means by which LICENSEE will participate in this field. All business decisions relating to use, manufacture, sale or marketing of products covered under this Agreement will be within the sole discretion of LICENSEE.

7. In the event that LICENSEE enters into a joint venture with another entity and utilizes BOARD Technical Information in combination with the technology of such entity, then Net Sales for purposes of calculating royalties shall be deemed to be LICENSEE's income received from such joint venture. Subject to the foregoing sentence, where a Licensed Patented Product or Process or a Licensed Non-Patented Product or Process is not sold separately but is sold in combination with or as part of other products, the Net Sales of the Licensed Patented Product or Process or the Licensed Non-Patented Product or Process so sold shall be calculated, for the purpose of computing royalties due, by applying to the total selling price of the combination or composite product a fractional multiplier having as its denominator the total selling price of the combined or composite product (determined by accepted and consistent accounting procedures) and as its numerator the selling price of the included Licensed Patented Product or Process or Licensed Non-Patented Product or Process (similarly determined).

B. In the event that the BOARD, the University of Texas Health Science Center or any other entity under the BOARD's

jurisdiction, invents an Improvement relating to the Licensed Subject Matter, in connection with the activities discussed under Article VI hereof, LICENSEE shall pay BOARD an earned royalty on Net Sales of such Improvement(s), or any products or processes utilizing or incorporating such Improvement(s), equal to the amount set forth in IV.A.1., 2., or 3., as the case may be.

V.

REPORTING, PAYMENT AND MARKING

A. LICENSEE agrees to keep proper records and books of account in accordance with good accounting practices, showing the sales upon which the royalty payments of LICENSEE are based, and all other information necessary for the accurate determination of payment to be made hereunder and to deliver to BOARD, within forty-five (45) days after each calendar quarter ending on March 31, June 30, September 30 and December 31, a report showing the information on which the payments herein provided are calculated and to accompany each such report with the payments shown to be due thereby.

B. On reasonable written notice, BOARD, at its own expense, shall have the right, exercisable only once in any calendar year, to have an independent certified public accountant or an appropriate representative of BOARD, satisfactory to LICENSEE, inspect and audit the books and records of LICENSEE, its Subsidiaries and its sublicensees during usual business hours of LICENSEE, its Subsidiaries and its sublicensees for the sole purpose of, and only to the extent necessary for, determining the correctness of payments due under this Agreement. Such examina-

tion with respect to any fiscal year shall not take place later than two years following the expiration of such period.

C. Royalties based on Net Sales in any foreign country shall be payable to BOARD in the United States in United States Dollars. Dollar amounts shall be calculated using the foreign exchange rate, as published by the Wall Street Journal, in effect for such foreign currency on the last business day of each calendar quarter for which a report is required. Where royalties are due for Net Sales in a country where, for reasons of currency, tax or other regulations, transfer of foreign currency out of such country is prohibited, LICENSEE has the right to place BOARD's royalties in a bank account in such country in the name of and under the sole control of BOARD; provided, however, that the bank selected be reasonably acceptable to BOARD and that LICENSEE inform BOARD of the location, account number, amount and currency of money deposited therein. After BOARD has been so notified, those monies shall be considered as royalties duly paid to BOARD, will be completely controlled by BOARD, and LICENSEE will have no further responsibility with respect thereto.

D. All foreign taxes on royalty payments hereunder, imposed upon or required to be withheld by LICENSEE, its Subsidiaries or its sublicensees, shall be deducted from such payments, and evidence of such foreign taxes shall be delivered to BOARD at the time of the reports with respect to such royalty payments. LICENSEE agrees, however, to assist BOARD in recovering or preventing the levy or withholding of any such taxes, pro-

vided that LICENSEE shall be reimbursed for its out-of-pocket expenses incurred in rendering any such assistance.

E. LICENSEE agrees to mark all Licensed Patented Products or Processes sold by it or its sublicensees covered by the BOARD Patent Rights with appropriate patent marking, such marking to be agreed upon between the parties hereto, together with notice of copyright sufficient to maintain legal claim to copyright in the country of origin of such Licensed Patented Product or Process.

VI.

RESEARCH AND DEVELOPMENT

A. In addition to the above agreements on its part, LICENSEE agrees to contribute the sum of \$360,000.00 to the Cryobiology Center of UTHSCH for further research and development of the Licensed Subject Matter; such sum to be applied over the next three years following the date of this Agreement and shall be paid in such manner and on such dates as UTHSCH and LICENSEE mutually agree. In consideration thereof, BOARD hereby grants a right of first refusal to LICENSEE for any and all patentable technology relating to the Licensed Subject Matter which is developed by UTHSCH. Pursuant to such right, BOARD shall engage in exclusive good faith negotiations with LICENSEE, for a period not in excess of ninety (90) days, prior to discussing such technology with any other potential licensees or sponsors.

B. BOARD, through UTHSCH, or other component, employees and agents, shall have the right to publish papers disclosing the general scientific findings related to the BOARD Patent Rights and BOARD Technical Information, including research and develop-

mental activities under this Agreement, provided that BOARD provides LICENSEE a copy of any proposed publication ninety (90) days in advance of publication thereof in order for LICENSEE to comment upon the contents thereof, and to take steps to prepare and file patent applications including the contents thereof, if desired by LICENSEE.

C. Notwithstanding any other provision of this Agreement, BOARD shall specifically retain, for itself, SYSTEM, and its component institutions, the right to use the Licensed Subject Matter, the BOARD Patent Rights, Improvements, and the BOARD Technical Information for research, teaching, and other related non-commercial purposes.

D. In the event that subsequent to the date of this Agreement, any Improvement (as defined in Section I.G. hereof) is developed by BOARD, SYSTEM, UTHSCH, or any other component of SYSTEM, such Improvement, to the extent not previously obligated, shall be subject to Section II.A. of this Agreement (and not Section VI.A above), and LICENSEE shall be obligated to pay royalties to BOARD as set forth in Section IV.B. hereof. BOARD agrees to provide LICENSEE with notice of all such previous obligations prior to or promptly following the effective date hereof, of which BOARD is aware.

VII.

ADDITIONAL PATENT APPLICATIONS AND RIGHT TO FILE SUIT

A. 1) BOARD shall file additional patent applications in the United States and in any foreign countries in which LICENSEE notifies BOARD that LICENSEE desires applications to be filed,

and such additional patent applications, and all patents issuing thereon, shall be included within the BOARD Patent Rights. LICENSEE shall reimburse BOARD for its reasonable out-of-pocket costs, including attorneys' fees, of filing and prosecuting such additional patent applications. BOARD shall be free to file in any foreign country not elected by LICENSEE, provided that BOARD provides LICENSEE with forty-five (45) days advance written notice of its desire to file for any such patent. If LICENSEE does not notify BOARD within such time period of its desire to have BOARD file for a patent on LICENSEE's behalf, then the patent rights associated with such filing shall not be subject to this Agreement.

2) BOARD shall have the full and complete control over the prosecution of such domestic and foreign patent applications, but shall keep LICENSEE advised as to such patent prosecution by supplying to LICENSEE copies of Official Actions, amendments, responses and other correspondence, including copies of patents or other material referred to or cited therein, within a reasonable period of time after receipt or filing thereof by BOARD.

B. 1) LICENSEE shall have the right, exercisable at LICENSEE's sole discretion, to file and control the prosecution of any and all suits seeking to enjoin or recover damages from any and all infringers of any patent which is then included within the BOARD Patent Rights, and shall have the right to join BOARD as a party in any such suit filed by LICENSEE. LICENSEE shall bear the expense of any such suit, and any amounts re-

covered, whether by final judgment, settlement or otherwise, as a result of such suit shall be the sole property of LICENSEE.

2) In the event that LICENSEE shall not institute or prosecute any suit to enjoin or recover damages from any infringer, BOARD may do so at its sole expense, provided BOARD has first given LICENSEE 60 days' advance notice of its intention to take such action and, provided further, that LICENSEE has not itself taken appropriate action during such 60-day period. Any amounts recovered in an action brought by BOARD, whether by final judgment, settlement or otherwise in any such suit shall be the sole property of BOARD.

3) LICENSEE and BOARD agree that neither will settle any action commenced by it in a manner that is prejudicial to any BOARD Patent Rights without the other party's prior written approval. BOARD and LICENSEE each agree that it will notify the other of any infringement or potential infringement of any BOARD Patent Rights which comes to its attention.

4) In any suit or dispute involving any infringement, BOARD and LICENSEE shall cooperate fully, and upon the request of the party bringing suit, the other party shall make available all relevant records, papers, information, samples, specimens, and the like which may be relevant and in its possession. In the event a court of competent, final jurisdiction determines that one or more of the BOARD Patent Rights are invalid or unenforceable, no further royalty payments on operations covered by such BOARD Patent Rights shall be due or owing hereunder with respect thereto.

In the event the making, using or selling of the Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes is determined, by a court of final competent jurisdiction, to infringe one or more claims of a valid, subsisting patent owned by a third party, no royalty payments shall be due BOARD with respect to such product or process from such infringing activities in that jurisdiction from the time such determination is made until such patent expires. In the event that either party is able to negotiate a license with royalties based on a bona fide assessment of the strength and enforceability of said third party's patent, royalty payments due hereunder will be paid only to the extent that such payments exceed any royalty payments made by LICENSEE to such third party as a result of such negotiated license but in no event shall such payments be reduced below fifty percent (50%) of that otherwise due.

VIII.

DURATION AND TERMINATION

A. 1) Unless otherwise provided herein, this Agreement shall remain in force and effect for 17 years from the date of the issuance of the patent described as Patent No. 4,510,169 itemized on Schedule I.A. hereto, and, at the option of LICENSEE, from year to year thereafter; however, it is understood that no royalties shall be due on any sales of Licensed Patented Products or Processes, Licensed Non-Patented Product or Processes, and Improvements in any country where the applicable BOARD Patent rights have previously expired or where, pursuant to other pro-

visions of this Agreement, no further royalty payments are due for other reasons.

2) LICENSEE, upon one hundred and eighty (180) days prior written notice to BOARD, may terminate this Agreement without cause. If LICENSEE terminates without cause at any time, LICENSEE will give BOARD access to all clinical and technical data developed by LICENSEE relating to any Licensed Patented Product or Process or Licensed Non-Patented Product or Process, and shall grant a license to BOARD to use such data in exchange for an appropriate royalty to be negotiated.

B. This Agreement may be terminated by either party, if the other party substantially fails to perform or otherwise materially breaches any of the material terms, covenants or provisions of this Agreement, such termination to be effected by giving written notice of intent to terminate to the breaching party stating the grounds therefor. The party receiving the notice shall have sixty (60) days thereafter to correct such breach. If such breach is not corrected within said sixty (60) days after notice as aforesaid, then the party sending the notice of intent to terminate, at its option, may terminate this Agreement by further written notice thereof to the party in breach, provided however, that if such breaching party notifies the terminating party that it is in good faith attempting to cure such breach, describing the manner thereof, or if the breach is incurable and the breaching party is willing to compensate in damages, such termination may not occur during the period of such cure or negotiation of damages.

C. After three (3) years from the date of this Agreement, BOARD shall have the right, upon ninety (90) days' written notice, to terminate this Agreement if LICENSEE has failed to commercialize the Licensed Subject Matter, provided, however, that this period shall be tolled for any period during which LICENSEE was prevented from commercializing the Licensed Subject Matter due to requirements for obtaining approvals of governmental agencies. If, as of said date, LICENSEE has commercialized some but not all aspects of the Licensed Subject Matter, then the BOARD's right to terminate this Agreement shall not apply.

D. In the event of termination of the Agreement in whole or in part for any reason whatsoever, the following shall apply, limited, however, to those BOARD Patent Rights being terminated and applicable Licensed Patented Products or Processes and Licensed Non-Patented Products or Processes:

1) LICENSEE shall not thereby be discharged from any liability or obligation to BOARD which became due or payable prior to the effective date of such termination;

2) If LICENSEE, its Subsidiaries or its sublicensees then possess Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, have started the manufacture thereof or have accepted orders therefor, LICENSEE, its Subsidiaries or sublicensees shall have the right to sell their inventories thereof, complete the manufacture thereof and market such fully manufactured Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, and/or manufacture

and sell Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, in order to fulfill such accepted orders, subject to the obligation of LICENSEE to pay BOARD the earned royalty payments therefor as provided in Section IV of this Agreement;

3) Subject to Section VIII.D.2), LICENSEE shall discontinue, and shall cause its Subsidiaries and sublicensees to discontinue, the manufacture, use, marketing and sale of Licensed Patented Products or Processes or Licensed Non-Patented Products or Processes, and shall assign any sublicenses granted hereunder to BOARD, and LICENSEE shall immediately discontinue use of the words "Board of Regents, The University of Texas System", "University of Texas Health Science Center", or any language which would connect sales of products by LICENSEE with or imply the sponsorship of BOARD, except that packaging and advertising material may be used for products permitted to be sold under Section VIII.D.2) above; and

4) All rights sold, assigned or transferred by BOARD to LICENSEE hereunder and then subject to termination shall revert to BOARD, and LICENSEE agrees to execute all instruments necessary and desirable to re-vest said rights in BOARD.

IX.

ADDRESSES

A. The payments to be made hereunder to BOARD shall be made by mailing checks for the required amount to BOARD's address. Notices provided for herein shall effectively be given by mailing the same by certified or registered mail, properly

addressed. For the purposes of making payments and giving notices, the addresses of the parties hereto are as follows:

Board of Regents, The University of Texas System
201 West 7th Street
Austin, Texas 78701
Attention: Intellectual Property Office

CryoM Corp.
2201 Timberloch Place
The Woodlands, Texas 77380
Attention: President

or to such subsequent addresses as either party may furnish the other in writing by giving notice thereof as provided in this Article IX.

X.

CONFIDENTIAL INFORMATION

A. BOARD and LICENSEE each agree that all information contained in documents marked "Confidential" which are forwarded to one by the other shall be received in strict confidence, used only for the purposes of this Agreement, and not disclosed by the recipient party (except as required by the Texas Open Records Act), its agents or employees without the prior written consent of the other party, unless such information (i) was in the public domain at the time of disclosure, (ii) later became part of the public domain through no act or omission of the recipient party, its employees, agents, successors, or assigns, (iii) was lawfully disclosed to the recipient party by a third party having the right to disclose it, (iv) was already known by the recipient party at the time of disclosure or (v) was independently

developed or is required to be submitted to a government agency pursuant to any obligation imposed or right granted hereunder.

Each party's obligation of confidence hereunder shall be fulfilled by using the same degree of care with the other party's confidential information it uses to protect its own confidential information. This obligation shall exist while this Agreement is in force and for a period of three (3) years thereafter. Nothing contained herein shall prevent BOARD or LICENSEE, its Subsidiaries or its sublicensees from disclosing information to the extent such information is required to be disclosed, and after securing or making a good faith effort to secure, confidentiality limitations comparable to the foregoing, (i) in connection with the securing of necessary governmental authorization for LICENSEE's, its Subsidiaries' or sublicensees' manufacture, use or sale of a Licensed Patented Product or Process or Licensed Non-Patented Product or Process, (ii) for the purpose of BOARD's, LICENSEE's, its Subsidiaries' or sublicensees' compliance with governmental regulations, (iii) for the purpose of sublicensing or distribution and sale, or (iv) in connection with the development, manufacture, use or sale of any Licensed Patented Product or Process or Licensed Non-Patented Product or Process.

XI.

ENTIRE AGREEMENT

A. This Agreement contains the entire agreement and understanding between the parties with respect to the subject matter hereof, and merges all prior discussions, representations and

negotiations with respect to the subject matter of this Agreement and is to be interpreted in accordance with the Laws of the State of Texas.

XII.

ASSIGNMENT

A. This Agreement may not be assigned by either party, without the prior written consent of the other, which consent shall not be unreasonably withheld, provided that LICENSEE may assign this Agreement to any purchaser or transferee of all or substantially all of LICENSEE's business upon prior written notice to BOARD, and provided further, that nothing shall prevent LICENSEE from entering into sublicensing agreements with other parties. This Agreement shall be binding upon and inure to the benefit of BOARD, LICENSEE and their respective permitted assigns and successors in interest and is to be interpreted in accordance with the Laws of the State of Texas.

XIII.

REPRESENTATIONS AND WARRANTIES

A. BOARD represents and warrants that it is the owner of the entire right, title and interest in and to the BOARD Patent Rights, including without limitation the patents and patent applications listed on Schedule I.(A), and the BOARD Technical Information and that there are no outstanding liens, encumbrances, agreements or understandings of any kind, either written, oral or implied which are inconsistent with any provision of this Agreement, except to the extent that research funded by Federal Government grants may be subject to a reserved non-

exclusive license to the Government. BOARD represents and warrants that it has the sole right to grant licenses under the BOARD Patent Rights and BOARD Technical Information and that it has not granted licenses to any other person.

B. BOARD represents and warrants that no individual or entity has asserted that BOARD, or any employee, agent, representative or other person affiliated with BOARD is infringing or has infringed any foreign or domestic patent or has misappropriated or improperly used or disclosed any trade secret, confidential information or know-how which relates in any manner to the subject matter of this Agreement.

C. BOARD represents and warrants that it has no knowledge that any person or individual is infringing or has infringed any foreign or domestic patent or has misappropriated or improperly used or disclosed any trade secret, confidential information, or know-how which relates in any manner to the subject matter of this Agreement.

D. BOARD represents and warrants that no patent or patent application listed on Schedule I.(A) is the subject of any re-examination proceeding or any pending interference, opposition, cancellation or other protest proceeding.

E. BOARD represents and warrants that it has no knowledge of any foreign or domestic patent or patent application which is reasonably expected by BOARD to restrict LICENSEE from manufacturing, using or selling any Licensed Patented Product or Process or any Licensed Non-Patented Product or Process or any portion of the BOARD Technical Information.

XIV.

ARBITRATION

A. At the request of either party, to the extent permitted by the laws and constitution of the State of Texas, any material controversy or claim arising out of or relating to this Agreement shall be settled by arbitration in Houston, Texas, in accordance with the then current Licensing Agreement Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) shall be binding on the parties and may be entered by either party in the court or forum, state or federal, having jurisdiction.

XV.

INDEMNIFICATION

A. LICENSEE shall hold harmless and indemnify BOARD, SYSTEM, UTHSCH, and any person or component thereof or working therefor, from and against any claims, demands, or causes of action on account of any claims, loss or damage caused by, arising out of, or resulting from, the exercise or practice of the license granted hereunder; provided, however, that such obligation shall not extend to any claim, demand, or cause of action to the extent arising in favor of any such person or entity, growing out of, incident to, or resulting directly or indirectly from the negligence (whether sole, joint, or otherwise), of such person or entity.

ATTEST:

CryoM Corp.

Cynthia M. Moore
Assistant Secretary

By [Signature]

Title PRESIDENT

CONTENT APPROVED:

(For U.T. Health Science Center
Houston)

By [Signature]

Executive Vice President for
Title Administration and Finance

FORM APPROVED:

[Signature]
Office of General Counsel
The University of Texas System

CONTENT APPROVED:

(For U.T. System)

BOARD OF REGENTS OF THE
UNIVERSITY OF TEXAS SYSTEM

By [Signature]

By _____

Title Chancellor

Title _____

CERTIFICATE OF APPROVAL

I hereby certify that the foregoing Agreement was approved by the Board of Regents of The University of Texas System on the _____ day of _____, 1986, and that the person whose signature appears above is authorized to execute such agreement on behalf of the Board.

Executive Secretary, Board of Regents
The University of Texas System

SCHEDULE I. (A)

<u>COUNTRY</u>	<u>APPLICATION SERIAL NO.</u>	<u>FILING DATE</u>	<u>PATENT NO.</u>	<u>ISSUE DATE</u>
United States	525626	08/23/83	4,510,169	04/09/85
Australia	3166/84	08/07/84		
Canada	460541	08/08/84		
European Patent Convention(1)	84305391.9	08/08/84		
Japan	175807/84	08/23/84		
United States	777083	09/17/85		
United States	676855	11/30/84	4,567,847	02/04/86
Australia				
Canada	495267	11/13/85		
European Patent Convention(2)	85308760.9	12/02/85		
Japan	275080/85	11/30/85		
United States	676856	11/30/84		
United States	770772	08/29/85		
United States(3)				

- (1) Designating France, Great Britain, West Germany, Sweden, Switzerland, and Liechtenstein.
- (2) Designating Austria, Belgium, France, Great Britain, West Germany, Italy, Luxembourg, Netherlands, Sweden, Switzerland, and Liechtenstein.
- (3) Inclusive as part of Schedule I. (A) are two invention disclosures currently being drafted for application by the patent firm of Arnold, White & Durkee, relating to the Licensed Subject Matter.

**Executive Session
of the Board**

BOARD OF REGENTS
EXECUTIVE SESSION
Pursuant to Vernon's Texas Civil Statutes
Article 6252-17, Sections 2(e), (f) and (g)

Date: June 5 and June 6, 1986

Time: The Board will recess to Executive Session, if time permits, on Thursday afternoon and continue at 9:00 a.m. on Friday morning. If the regular agenda on Thursday does not permit sufficient time to begin the Executive Session, it will convene at 9:00 a.m. on Friday.

Place: June 5, 1986: Room 1.130, Commons Building,
Balcones Research Center
June 6, 1986: Regents' Conference Room, Ninth
Floor, Ashbel Smith Hall

1. Pending and/or Contemplated Litigation - Section 2(e)
 - U. T. Cancer Center: Proposed Settlement of Medical Malpractice Litigation
2. Land Acquisition, Purchase, Exchange, Lease or Value of Real Property and Negotiated Contracts for Prospective Gifts or Donations - Section 2(f)
 - a. U. T. System: Recommendation for Amendment of Lease Agreement Between the Board of Regents and The University of Texas Foundation, Inc., Covering Certain Land in Austin, Travis County, Texas
 - b. U. T. System: Proposed Amendment to Lease Agreement for Operation of Commercial Vineyards and Winery on Permanent University Fund Lands in West Texas
3. Personnel Matters [Section 2(g)] Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees
 - U. T. System: Consideration of Personnel Aspects of the 1986-87 Operating Budgets, Including Auxiliary Enterprises, Grants and Government Contracts, Designated Funds, Restricted Current Funds and Medical Services, Research and Development Programs