

MATERIAL SUPPORTING THE AGENDA

Volume XXXIIIIa

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

October 10-11, 1985
October 24, 1985

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.

SPECIAL MEETING
OF THE
BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM

Date: October 24, 1985

Time: 10:00 a.m.

Place: Room E-6.200, Florence Bio-information Building
The University of Texas Health Science Center
at Dallas
5323 Harry Hines Boulevard
Dallas, Texas

AGENDA

1. Convene Special Meeting of the Board of Regents
2. Recess to Executive Session (Room E-6.102K) to Consider Land Acquisition and Personnel Matters in Accordance with Vernon's Texas Civil Statutes, Article 6252-17, Sections 2(f) and (g)
 - a. U. T. Health Science Center - Houston and U. T. Cancer Center: Consideration of a Negotiated Contract for Land Acquisition in the Vicinity of the Texas Medical Center, Houston, Texas
 - b. U. T. Health Science Center - Dallas: Proposal to Designate Regental Professors (Regents' Rules and Regulations, Part One, Chapter III, Section 1.86) and Authorization for Special Research Allocation Related Thereto
3. Reconvene in Open Session
 - a. U. T. System: Matters Related to the Advance Refunding of Permanent University Fund Bonds
 - b. U. T. System: Matters Related to the Initiation of a Permanent University Fund Commercial Paper Program
 - c. U. T. Tyler: Matters Related to the Acquisition of Facilities for Student/Faculty Housing
 - d. Report From Executive Session
 - (1) U. T. Health Science Center - Houston and U. T. Cancer Center: Consideration of a Negotiated Contract for Land Acquisition in the Vicinity of the Texas Medical Center, Houston, Texas
 - (2) U. T. Health Science Center - Dallas: Proposal to Designate Regental Professors (Regents' Rules and Regulations, Part One, Chapter III, Section 1.86) and Authorization for Special Research Allocation Related Thereto
4. Other Business
5. Adjournment

SUPPLEMENTAL MATERIAL

OCTOBER 24, 1985

3a. U. T. System: Matters Related to the Advance Refunding of Permanent University Fund Bonds.--

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

- a. Add Rotan Mosle, Inc., Houston, Texas, and Merrill Lynch Capital Markets, New York, New York, to the list of co-managing underwriters approved by the Board at the regular October 1985 board meeting.
- b. Approve the resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985, 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, and a Paying Agent/Registrar Agreement substantially in the form set out in Attachment E.).
- c. Approve the resolution authorizing the execution of an Escrow Agreement relating to the refunding of Board of Regents of The University of Texas System Permanent University Fund bonds as set out in Attachment B.
- d. Designate MBank Austin, N.A., Austin, Texas, as Paying Agent/Registrar (A tabulation of the bids received is set out in Attachment F.).
- e. Designate InterFirst Bank Dallas, N.A., Dallas, Texas, as Escrow Agent (A tabulation of the bids received is set out in Attachment G.).
- 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 the outstanding bonded indebtedness of the Permanent University Fund.

BACKGROUND INFORMATION

At its regular October 1985 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 bonded indebtedness of the Permanent University Fund; appointed Morgan Guaranty Trust Company of New York as managing underwriter; appointed a group of co-managing underwriters; concurred in the appointment of Hutchison, Price, Boyle and Brooks, Dallas, Texas and Reynolds, Allen & Cook, Inc., Houston, Texas as co-underwriters counsel; appointed Fullbright & 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 & 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 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 actions recommended above will complete the transaction approved by the Board at its October meeting. Executive Vice Chancellor Patrick, underwriters counsel, and bond counsel will make any necessary presentations at the meeting.

ATTACHMENT A

CERTIFICATE FOR
RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF
REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
REFUNDING BONDS, SERIES 1985, AND APPROVING AND AUTHORIZING INSTRUMENTS
AND PROCEDURES RELATING THERETO

THE STATE OF TEXAS :
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM :

We, the undersigned officers of the Board of Regents of The University of Texas System, hereby certify as follows:

1. The Board of Regents of The University of Texas System convened in
SPECIAL MEETING ON THE 24TH DAY OF OCTOBER, 1985,
at the designated meeting place, and the roll was called of the duly consti-
tuted officers and members of said Board, to-wit:

Jack S. Blanton	Jess Hay, Chairman
Janey Slaughter Briscoe (Mrs. Dolph)	Robert B. Baldwin, III, Vice Chairman
Beryl Buckley Milburn (Mrs. Malcolm)	Shannon H. Ratliff, Vice Chairman
Tom B. Rhodes	
Bill Roden	
Mario Yzaguirre	

Arthur H. Dilly, Executive Secretary

and all of said persons were present, except the following absentees:
_____, thus constituting a quorum.
Whereupon, among other business, the following was transacted at said Meeting:
a written

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY OF BOARD OF
REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND
REFUNDING BONDS, SERIES 1985, AND APPROVING AND AUTHORIZING INSTRUMENTS
AND PROCEDURES RELATING THERETO

was duly introduced for the consideration of said Board and duly read. It was
then duly moved and seconded that said Resolution be adopted; and, after due
discussion, said motion, carrying with it the adoption of said Resolution,
prevailed and carried by the following vote:

AYES: All members of said Board shown
present above voted "Aye".

NOES: None.

2. That a true, full, and correct copy of the aforesaid Resolution
adopted at the Meeting described in the above and foregoing paragraph is
attached to and follows this Certificate; that said Resolution has been duly
recorded in said Board's minutes of said Meeting; that the above and foregoing
paragraph is a true, full, and correct excerpt from said Board's minutes of
said Meeting pertaining to the adoption of said Resolution; that the persons
named in the above and foregoing paragraph are the duly chosen, qualified, and
acting officers and members of said Board as indicated therein; and that each
of the officers and members of said Board was duly and sufficiently notified
officially and personally, in advance, of the time, place, and purpose of the
aforesaid Meeting, and that said Resolution would be introduced and considered
for adoption at said Meeting; and that said Meeting was open to the public,
and public notice of the time, place, and purpose of said Meeting was given,
all as required by Vernon's Ann. Civ St. Article 6252-17.

SIGNED AND SEALED the 24th day of October, 1985.

Executive Secretary

Chairman

(SEAL)

RESOLUTION AUTHORIZING THE ISSUANCE, SALE, AND DELIVERY
OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND REFUNDING BONDS, SERIES 1985,
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 Permanent University Fund Bonds pursuant to the provisions of Section 18, Article VII, of the Texas Constitution:

- (a) Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1966;
- (b) Board of Regents of The University of Texas System Permanent University Fund Bonds, New Series 1967, New Series 1968, New Series 1969, New Series 1970, New Series 1971, New Series 1972, New Series 1973, New Series 1974, New Series 1975, New Series 1976, New Series 1977, New Series 1978, New Series 1979, New Series 1980, New Series 1981, New Series 1983, New Series 1983-A, and New Series 1984; and
- (c) Board of Regents of The University of Texas System Constitutional Amendment Permanent University Fund Bonds, Series 1985 and Series 1985-A; and

WHEREAS, the above Series of Bonds, now outstanding in the aggregate principal amount of \$384,065,000, are the only obligations secured by and payable from liens on and pledges of income from the Permanent University Fund allocable to The University of Texas System, 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 AND FINDINGS. (a) Throughout this Resolution the following terms and expressions as used herein shall have the meanings set forth below:

The term "Additional Parity Bonds and Notes" means the additional parity bonds and the additional parity notes permitted to be issued pursuant to Section 12 of this Resolution.

The term "Available University Fund" means all of the dividends, interest, and other income from the Permanent University Fund (less administrative expenses), including the net income attributable to the surface of Permanent University Fund land.

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 terms "Interest of The University of Texas System" and "Interest" in the Available University Fund mean The University of Texas System's two-thirds interest in the Available University Fund as apportioned and provided in the amendment to Section 18, Article VII of the Texas Constitution adopted by vote of the people of Texas on November 6, 1984.

The terms "Permanent University Fund", "Permanent Fund", and "Fund" used interchangeably herein mean the Permanent University Fund as created, established, implemented, and administered pursuant to Article VII, Sections 10, 11, 11a, 15, and 18 of the Texas Constitution, as amended, and further implemented by the provisions of Chapter 66, Texas Education Code.

The term "Principal and Interest Requirements" means, with respect to any fiscal year of The University of Texas System, the amounts of principal of and interest on the Bonds and all Additional Parity Bonds and Notes scheduled to be paid in such fiscal year from the Interest of The University of Texas System in the Available University Fund. If the rate or rates of interest to be borne by any Additional Bonds or Notes is not fixed, but is variable or adjustable by any formula, agreement, or otherwise, and therefore cannot be calculated as actually being scheduled to be paid in a particular amount for any particular period, then for the purposes of the previous sentence such Additional Bonds or Notes shall be deemed to bear interest at all times to maturity or due date at the lesser of (i) the maximum rate then permitted by law or (ii) the maximum rate specified in such Additional Bonds or Notes.

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

(b) The Board officially finds and determines that the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) is now in excess of \$2,316,874,000.

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 \$345,970,000 FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND PERMANENT UNIVERSITY FUND BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$384,065,000. Each bond issued pursuant to this Resolution shall be designated: "BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BOND, SERIES 1985", and initially there shall be issued, sold, and delivered hereunder a single fully registered bond, without interest coupons, payable in installments of principal (the "Initial Bond"), but the Initial Bond may be assigned and transferred and/or converted into and exchanged for a like aggregate principal amount of fully registered bonds, without interest coupons, having serial maturities, and in the denomination or denominations of \$5,000 or any integral multiple of \$5,000, all in the manner hereinafter provided.

Section 3. DATE, DENOMINATION, NUMBER, MATURITIES, INITIAL REGISTERED OWNER, AND CHARACTERISTICS OF 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 OCTOBER 15, 1985, in the denomination and aggregate principal amount of \$345,970,000, numbered R-1, payable in annual installments of principal to the initial registered owner thereof, to-wit:

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
NEW YORK, NEW YORK,

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.

Section 4. INTEREST. The unpaid principal balance of the Initial Bond shall bear interest from the date of the Initial Bond to the respective scheduled due dates, or to the respective dates of prepayment or redemption, of the installments of principal of the Initial Bond, and said interest shall be payable, all in the manner provided and at the rates and on the dates stated in the FORM OF INITIAL BOND set forth in this Resolution.

Section 5. 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 printed and endorsed on the Initial Bond, shall be substantially as follows:

NO. R-1

\$345,970,000

UNITED STATES OF AMERICA
 STATE OF TEXAS
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 PERMANENT UNIVERSITY FUND REFUNDING BOND
 SERIES 1985

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

MORGAN GUARANTY TRUST COMPANY OF NEW YORK,
 NEW YORK, NEW YORK,

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

\$345,970,000

(THREE HUNDRED FORTY FIVE MILLION NINE HUNDRED SEVENTY THOUSAND DOLLARS)

in installments of principal due and payable on JULY 1 in each of the years, and in the respective principal amounts, as set forth in the following schedule:

<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>
\$ 5,925,000	1986	\$11,330,000	1996
12,625,000	1987	12,220,000	1997
10,320,000	1988	13,215,000	1998
8,895,000	1989	14,315,000	1999
7,420,000	1990	15,515,000	2000
7,920,000	1991	24,815,000	2001
8,475,000	1992	33,395,000	2002
9,095,000	1993	*****	
9,775,000	1994	*****	
10,520,000	1995	130,195,000	2005

and to pay interest, calculated on the basis of a 360-day year composed of twelve 30-day months, from OCTOBER 15, 1985, 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:

- 5.25% per annum on the above installment due in 1986
- 5.75% per annum on the above installment due in 1987
- 6.25% per annum on the above installment due in 1988
- 6.70% per annum on the above installment due in 1989
- 7.00% per annum on the above installment due in 1990
- 7.30% per annum on the above installment due in 1991
- 7.60% per annum on the above installment due in 1992
- 7.75% per annum on the above installment due in 1993
- 7.90% per annum on the above installment due in 1994
- 8.05% per annum on the above installment due in 1995
- 8.20% per annum on the above installment due in 1996
- 8.40% per annum on the above installment due in 1997
- 8.55% per annum on the above installment due in 1998
- 8.70% per annum on the above installment due in 1999
- 8.80% per annum on the above installment due in 2000
- 8.90% per annum on the above installment due in 2001
- 8.90% per annum on the above installment due in 2002
- ****
- ****
- 9.00% per annum on the above installment due in 2005

with said interest being payable on JULY 1, 1986, and semi-annually on each JANUARY 1 and JULY 1 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 AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, 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 or draft, 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 or draft 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 15th day of the month next preceding such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. 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 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 PERMANENT UNIVERSITY FUND BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$384,065,000.

ON JULY 1, 1995, or on any interest payment 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 equal to the par or principal amount thereof and accrued interest to the date fixed for prepayment or redemption.

ON JULY 1, 2003, and on July 1, 2004, the installment of principal of this Bond which is due and payable on July 1, 2005, 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>
JULY 1, 2003	\$36,325,000
JULY 1, 2004	\$44,925,000

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 principal or 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 "Interest of The University of Texas System" in the "Available University Fund", as such terms are defined in the Bond Resolution, all in accordance with Section 18, Article VII, of the Texas Constitution and other applicable laws.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes which also may be secured by and made payable from a first lien on and pledge of the aforesaid Interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond, and (ii) to amend the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes which are secured by and payable from a first lien on and pledge of the aforesaid Interest of The University of Texas System in the Available University Fund.

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

BY BECOMING the registered owner of this Bond, the registered owner thereby acknowledges all of the terms and provisions of the Bond Resolution, agrees to be bound by such terms and provisions, acknowledges that the Bond Resolution is duly recorded and available for inspection in the official minutes and records of the 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 OCTOBER 15, 1985.

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

Chairman, Board of Regents of The University of Texas System

(BOARD SEAL)

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 6. ADDITIONAL CHARACTERISTICS OF THE BONDS.

(a) Registration and Transfer. The Issuer shall keep or cause to be kept at the principal corporate trust office of MBANK AUSTIN, NATIONAL ASSOCIATION, AUSTIN, 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 (i) the assignment of the Bond, or any portion thereof in any integral multiple of \$5,000, 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 denomination or denominations of any integral multiple of \$5,000 (subject to the requirement hereinafter stated that each substitute Bond shall have a single stated principal maturity date), shall be in the form prescribed in the FORM OF SUBSTITUTE BOND 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 principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal 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 applicable to and borne by such 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 principal maturity date and bear interest at the same rate 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 6(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 fees and charges, if any, 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 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.

(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 or principal 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 prescribed in the FORM OF SUBSTITUTE BOND

set forth in this Resolution, in the denomination of \$5,000, or any integral multiple of \$5,000 (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 principal maturity date, and shall not be payable in installments; and each such Bond shall have a principal 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 applicable to and borne by such 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, in the denomination or denominations of any integral multiple of \$5,000 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 principal maturity date and bear interest at the same rate 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. It is specifically provided that any Bond authenticated in conversion of and exchange for or replacement of another Bond on or prior to the first scheduled Record Date for the Initial Bond shall bear interest from the date of the Initial Bond, but each substitute Bond so authenticated after such first scheduled Record Date shall bear interest from the interest payment date next preceding the date on which such substitute Bond was so authenticated, unless such Bond is authenticated after any Record Date but on or before the next following interest payment date, in which case it shall bear interest from such next following interest payment date; provided, however, that if at the time of delivery of any substitute Bond the interest on the Bond for which it is being exchanged is due but has not been paid, then such Bond shall bear interest from the date to which such interest has been paid in full. 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.

MBANK AUSTIN, NATIONAL ASSOCIATION
AUSTIN, 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 governing body of 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 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 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.

(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 the FORM OF SUBSTITUTE BOND set forth 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 the 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, if any, of the Paying Agent/Registrar for services with respect to the transfer of registration of Bonds, and with respect to the conversion and exchange of Bonds 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 7. FORM OF SUBSTITUTE BONDS. The form 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 STATE OF TEXAS	PRINCIPAL AMOUNT \$ _____
	BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND REFUNDING BOND SERIES 1985	

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

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 assignee hereof (either being hereinafter called the "registered owner") the principal amount of _____

and to pay interest thereon, calculated on the basis of a 360-day year composed of twelve 30-day months, from OCTOBER 15, 1985, 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 JULY 1, 1986, and semiannually on each JANUARY 1 and JULY 1 thereafter, except that if the date of authentication of this Bond is later than JUNE 15, 1986, 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 AUSTIN, NATIONAL ASSOCIATION, AUSTIN, TEXAS, 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 or draft, 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 or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the registered owner hereof, at the address of the registered owner, as it appeared on the 15th day of the month next preceding each such date (the "Record Date") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner hereof. Any accrued interest due upon the redemption of this Bond prior to maturity as provided herein shall be paid to the registered owner at the principal 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.

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 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 OCTOBER 15, 1985, authorized in the principal amount of \$345,970,000, FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND

PERMANENT UNIVERSITY FUND BONDS OF THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM, NOW OUTSTANDING IN THE AGGREGATE PRINCIPAL AMOUNT OF \$384,065,000.

ON JULY 1, 1995, or on any interest payment date thereafter, the Bonds of this Series may be redeemed prior to their scheduled maturities, at the option of the 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 equal to the par or principal amount thereof and accrued interest to the date fixed for redemption.

ON JULY 1, 2003, and on July 1, 2004, the Bonds of this issue scheduled to mature on July 1, 2005, 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>
JULY 1, 2003	\$36,325,000
JULY 1, 2004	\$44,925,000

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 July 1, 2005, 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 at a price not exceeding the par or principal amount of such Bonds and accrued interest to the date of purchase thereof.

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, plus accrued interest thereon to the date fixed for redemption. If such written notice of redemption is published and if due provision for such payment is made, all as provided above, the Bonds or portions thereof 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 plus accrued interest 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, in any denomination or denominations in any integral multiple of \$5,000, 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.

THIS BOND OR ANY PORTION OR PORTIONS HEREOF IN ANY INTEGRAL MULTIPLE OF \$5,000 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 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. 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 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, and bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000 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 "Interest of The University of Texas System" in the "Available University Fund", as such terms are defined in the Bond Resolution, all in accordance with Section 18, Article VII of the Texas Constitution and other applicable laws.

THE ISSUER has reserved the right, subject to the restrictions referred to in the Bond Resolution, (i) to issue Additional Parity Bonds and Notes which also may be secured by and made payable from a first lien on and pledge of the aforesaid Interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as this Bond, and (ii) to amend the Bond Resolution with the approval of the owners of 51% in principal amount of all outstanding bonds and notes which are secured by and payable from a first lien on and pledge of the aforesaid Interest of The University of Texas System in the Available University Fund.

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

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

<u>(facsimile signature)</u>	<u>(facsimile signature)</u>
Executive Secretary, Board of Regents of The University of Texas System	Chairman, Board of Regents of The University of Texas System

(BOARD SEAL)

FORM OF PAYING 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 AUSTIN, NATIONAL ASSOCIATION,
AUSTIN, TEXAS
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 8. SECURITY AND PLEDGE. Pursuant to the provisions of the Amendment to Section 18 of Article VII of the Texas Constitution, approved by vote of the people of Texas on November 6, 1984, all of the Bonds, and any Additional Parity Bonds and Notes hereafter issued, and the interest thereon, shall be and are hereby equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund.

Section 9. PAYMENT OF BONDS AND ADDITIONAL PARITY BONDS AND NOTES. (a) The Comptroller of Public Accounts of the State of Texas previously has established and shall maintain in the State Treasury a fund to be known as "Board of Regents of The University of Texas System Permanent University Fund Bonds Interest and Sinking Fund" (herein called the "Interest and Sinking Fund"). The Board and the officers of The University of Texas System shall cause the Comptroller of Public Accounts of the State of Texas (i) to transfer to the Interest and Sinking Fund, out of The University of Texas System Available University Fund (the fund in the State Treasury to which is deposited the Interest of The University of Texas System in the Available University Fund), on or before each date upon which principal of or interest on the Bonds and the Additional Parity Bonds and Notes, when issued, is due and payable, and whether by reason of maturity or optional or mandatory redemption prior to maturity, and (ii) to withdraw from the Interest and Sinking Fund, and deposit with the Paying Agent/Registrar on or before each such date, the amounts of interest or principal and interest which will come due on the Bonds and Additional Parity Bonds and Notes on each such date, and in such manner that such amounts, in immediately available funds, will be on deposit with the Paying Agent/Registrar at least by each such date.

(b) When Additional Parity Bonds or Notes are issued pursuant to the provisions of this Resolution, the Board, the officers of The University of Texas System, and the Comptroller of Public Accounts, shall follow substantially the same procedures as provided above in connection with paying the principal of and interest on such Additional Parity Bonds or Notes when due; provided, however, that other and different banks or places of payment (paying agents) and/or Paying Agent/Registrars and dates and methods of payment and other procedures not in conflict with this Resolution may be named and provided for in connection with each issue of Additional Parity Bonds or Notes. In the event that any such Additional Parity Bonds or Notes are made optional or redeemable prior to maturity, the resolution or resolutions authorizing the issuance of such Additional Parity Bonds or Notes shall prescribe the appropriate procedures for redeeming same.

Section 10. DISPOSITION OF FUNDS. After provision has been made for the payment of the principal of and interest on the Bonds and any Additional Parity Bonds and Notes, when issued, the balance of the Interest of The University of Texas System in the Available University Fund each year shall be made available to the Board in the manner provided by law and by

regulations of the Board to be used by said Board as it may lawfully direct.

Section 11. COVENANTS. The Board covenants and agrees as follows:

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

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

(c) That the Board will duly and punctually pay or cause to be paid the principal of every Bond and every Additional Parity Bond and Note, when issued, and the interest thereon, from the sources, on the days, at the places, and in the manner mentioned and provided in such obligations, according to the true intent and meaning thereof, and that it will duly cause to be called for redemption prior to maturity, and will cause to be redeemed prior to maturity, all Bonds and all Additional Parity Bonds and Notes, when issued, 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.

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

(e) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done the Board will furnish to all bondholders and owners who may so request, full audits and reports by the State Auditor of Texas for the preceding fiscal year, showing the income to the Fund, the amount realized from investments of the Fund, total sums accruing to The University of Texas System as the Interest of The University of Texas System in the Available University Fund, the cost of administering the Fund, the amount actually paid as principal of and interest on the Bonds and Additional Parity Bonds and Notes, when issued, and the amount made available to the Board as available funds under Section 10 of this Resolution.

(f) That on February 14, 1985, the Board adopted a resolution with the following caption:

"RESOLUTION MAKING COVENANTS AS TO THE INVESTMENT OF THE PERMANENT UNIVERSITY FUND IN CONNECTION WITH PERMANENT UNIVERSITY FUND BONDS AND NOTES AND COVENANTING TO MAKE PROMPT TRANSFER OF INCOME TO THE TEXAS A&M UNIVERSITY SYSTEM OF ITS PART OF THE INCOME FROM THE PERMANENT UNIVERSITY FUND"

and the Board recognizes and acknowledges that the owners and holders of certain bonds payable from income from the Permanent University Fund which heretofore have been, and hereafter may be, issued by the Board of Regents of The Texas A&M University System are and will be legally entitled to rely on the provisions of said resolution until and unless such obligations are refunded or retired in such manner as to permit a change in said provisions; and it is hereby covenanted that the Board will comply with the provisions and covenants of said resolution so long as required to avoid impairing or adversely affecting the legal rights of the owners and holders of any bonds payable from income from the Permanent University Fund issued at any time by the Board of Regents of The Texas A&M University System who are entitled to rely thereon. The owners and holders of the Bonds and Additional Parity Bonds and Notes, when issued, shall not be entitled to rely on the provisions and covenants of said resolution, and shall be entitled to rely only on the provisions and covenants of this Resolution.

Section 12. ADDITIONAL PARITY BONDS AND NOTES. The Board reserves the right and shall have full power at any time and from time to time, to authorize, issue, and deliver Additional Parity Bonds and/or Additional Parity Notes, in as many separate installments or series as deemed advisable by the Board but only for the purposes and to the extent provided in the Amendment to Section 18, Article VII, of the Texas Constitution, adopted by vote of the people of Texas on November 6, 1984, or in any Amendment hereafter made to said Section 18, Article VII, of the Texas Constitution, or for refunding purposes as provided by law. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as are the Bonds issued pursuant to this Resolution, and the Bonds and the Additional Parity Bonds and Notes, when issued, and the interest thereon, shall be on a parity and in all respects of equal dignity. It is further covenanted that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management of The University of Texas System, or some other officer of The University of Texas System designated by the Board executes:

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

(b) a certificate to the effect that the total principal amount of (i) all Bonds and Additional Parity Bonds and Notes and (ii) all other obligations of the Board which are secured by and payable from a lien on and pledge of the Interest of The University of Texas System in the Available University Fund, that will be outstanding after

the issuance and delivery of the installment or series of Additional Parity Bonds or Notes then proposed to be issued will not exceed 20% of the cost value of investments and other assets of the Permanent University Fund (exclusive of real estate) at the time the proposed series or installment of Additional Parity Bonds or Notes is issued.

Section 13. 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 Parity Bonds or Notes when issued, or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 14. REMEDIES. Any owner or holder of any of the Bonds or Additional Parity Bonds or Notes, when issued, in the event of default in connection with any covenant contained herein, or default in the payment of said obligations, or of any interest due thereon, shall have the right to institute mandamus proceedings against the Board or any other necessary or appropriate party for the purpose of enforcing payment from the moneys herein pledged or for enforcing any covenant herein contained.

Section 15. 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 Issuer with the Paying Agent/Registrar for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Interest of The University of Texas System in the Available University Fund, and such principal and interest shall be payable solely from such money or Government Obligations, and shall not be regarded as outstanding for the purposes of Section 12 hereof or any other purpose.

(b) Any moneys so deposited with or made available to the Paying Agent/Registrar may at the written direction of the Issuer 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 Issuer, or deposited as directed in writing by the Issuer.

(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 Issuer shall make proper arrangements to provide and pay for such services as required by this Resolution.

Section 16. 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 governing body of 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 6(d) of this Resolution for Bonds issued in conversion and exchange for other Bonds.

Section 17. AMENDMENT OF RESOLUTION. (a) The owners of Bonds and Additional Parity Bonds and Notes (hereinafter in this Section collectively called "Bonds and Additional Bonds") aggregating 51% in 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 Issuer, 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 principal amount of Bonds and Additional Bonds necessary for consent to such amendment.

(b) If at any time the Issuer shall desire to amend a resolution under this Section, the Issuer 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 Issuer shall receive an instrument or instruments executed by the owners of at least 51% in aggregate 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 Issuer 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 Issuer 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 aggregate 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.

Section 18. NO ARBITRAGE. The Issuer covenants to and with the registered owners of the Bonds that it will make no use of the proceeds of the Bonds at any time throughout the term of this issue of Bonds which, if such use had been reasonably expected on the date of delivery of the Bonds to and payment for the Bonds by the purchasers, would cause the Bonds to be arbitrage bonds within the meaning of Section 103(c) of the Internal Revenue Code of 1954, as amended, or any regulations or rulings pertaining thereto; and by this covenant the Issuer is obligated to comply with the requirements of the aforesaid Section 103(c) and all applicable and pertinent Department of the Treasury regulations relating to arbitrage bonds. The Issuer further covenants that the proceeds of the Bonds will not otherwise be used directly or indirectly, nor will the Board take any other action, so as to cause all or any part of the Bonds to be or become arbitrage bonds within the meaning of the aforesaid Section 103(c), or any regulations or rulings pertaining thereto.

Section 19. 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 20. 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 the date of this meeting. 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 21. 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 October 18, 1985, prior to the date hereof is hereby ratified and confirmed.

Section 22. REFUNDING OF OUTSTANDING BONDS. That concurrently with the delivery of the Initial Bond the Issuer shall deposit with InterFirst Bank Dallas, N.A., Dallas, Texas, 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 Permanent University Fund 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 and procedures of the Issuer, and to remove and alter certain excessively restrictive covenants with respect to the investment of the Permanent University Fund and the issuance of additional parity bonds and notes; and (ii) that the debt service requirements on the Bonds on a present value basis will be less than those on the aforesaid outstanding bonds.

Section 23. 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, 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.

ATTACHMENT B

CERTIFICATE FOR
RESOLUTION AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT
RELATING TO THE REFUNDING OF BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BONDS

THE STATE OF TEXAS :
BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM :

We, the undersigned officers of the Board of Regents of The University of Texas System, hereby certify as follows:

1. The Board of Regents of The University of Texas System convened in SPECIAL MEETING ON THE 24TH DAY OF OCTOBER, 1985, at the designated meeting place, and the roll was called of the duly constituted officers and members of said Board, to-wit:

Jack S. Blanton	Jess Hay, Chairman
Janey Slaughter Briscoe (Mrs. Dolph)	Robert B. Baldwin III, Vice Chairman
Beryl Buckley Milburn (Mrs. Malcolm)	Shannon H. Ratliff, Vice Chairman
Tom B. Rhodes	
Bill Roden	
Mario Yzaguirre	

Arthur H. Dilly, Executive Secretary

and all of said persons were present, except the following absentees: _____, thus constituting a quorum. Whereupon, among other business, the following was transacted at said Meeting: a written

RESOLUTION AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT
RELATING TO THE REFUNDING OF BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BONDS

was duly introduced for the consideration of said Board and duly read. It was then duly moved and seconded that said Resolution be adopted; and, after due discussion, said motion, carrying with it the adoption of said Resolution, prevailed and carried by the following vote:

AYES: All members of said Board shown present above voted "Aye".

NOES: None.

2. That a true, full, and correct copy of the aforesaid Resolution adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; that said Resolution has been duly recorded in said Board's minutes of said Meeting; that the above and foregoing paragraph is a true, full, and correct excerpt from said Board's minutes of said Meeting pertaining to the adoption of said Resolution; that the persons named in the above and foregoing paragraph are the duly chosen, qualified, and acting officers and members of said Board as indicated therein; and that each of the officers and members of said Board was duly and sufficiently notified officially and personally, in advance, of the time, place, and purpose of the aforesaid Meeting, and that said Resolution would be introduced and considered for adoption at said Meeting; and that said Meeting was open to the public, and public notice of the time, place, and purpose of said Meeting was given, all as required by Vernon's Ann. Civ St. Article 6252-17.

SIGNED AND SEALED the 24th day of October, 1985.

Executive Secretary

Chairman

(SEAL)

RESOLUTION

AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT RELATING TO THE REFUNDING OF BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND BONDS

WHEREAS, it is necessary and advisable that the Board of Regents of The University of Texas System (the "Issuer") enter into the escrow agreement hereinafter authorized with InterFirst Bank Dallas, N.A., Dallas, Texas.

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

Section 1. That the Chairman 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.

2. 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.

ESCROW AGREEMENT

Board of Regents of The University of Texas System Permanent University Fund Bonds, Series 1966, Permanent University Fund Bonds, New Series 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1983, 1983-A, and 1984, and Constitutional Amendment Permanent University Fund Bonds, Series 1985 and 1985-A

THIS ESCROW AGREEMENT, dated as of OCTOBER 15, 1985 (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 INTERFIRST BANK DALLAS, N.A., DALLAS, 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 safe-keeping, 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 payment 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 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 Permanent University Fund Refunding Bonds, Series 1985 (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 which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations as it becomes due and payable; and

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

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

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

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

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

"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.

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.

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 Permanent University Fund Bonds, Series 1966, Permanent University Fund Bonds New Series 1967, 1968, 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1983, 1983-A, and 1984, and Constitutional Amendment Permanent University Fund Bonds, Series 1985 and 1985-A 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 shall thereupon 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.

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

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

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

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Except 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. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in Exhibit "D" hereto, the Escrow Agent shall reinvest cash balances shown in Exhibit "F" attached hereto in zero (0) interest rate United States Treasury Obligations - State and Local Government Series to the extent such Obligations are available from the Department of the Treasury. All such reinvestments shall be made only from the portion of cash balances derived from the maturing principal of and interest on Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes, or Bonds - State and Local Government Series. All such reinvestments shall be acquired on and shall mature on the dates shown on Exhibit "F" attached hereto.

Section 4.03. 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 which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) for non-interest bearing Escrowed Securities, if any, listed in part III 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, which, 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 III of Exhibit "D" for which such obligation is substituted, and
- (b) mature on or before the maturity date of the obligation listed in part III 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, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer promptly of any such occurrence.

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

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

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

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

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

Section 7.03. Compensation. (a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$26,700.00, the sufficiency of which is hereby acknowledged by the Escrow Agent. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses.

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

Morgan Guaranty Trust Company of New York, New York, New York;

InterFirst Bank Austin, N.A., Austin, Texas (formerly, The Austin National Bank, Austin, Texas);

Bankers Trust Company, New York, New York;

The First National Bank of Chicago, Chicago, Illinois;

Texas Commerce Bank, N.A., Houston, Texas (formerly, the Texas National Bank of Commerce of Houston, Houston, Texas);

The Northern Trust Company, Chicago, Illinois;

RepublicBank Waco, N. A., Waco, Texas (formerly, the Citizens National Bank of Waco, Waco, Texas);

Harris Trust & Savings Bank, Chicago, Illinois;

MBank Houston, N.A., Houston, Texas (formerly, the Bank of the Southwest National Association, Houston, Houston, Texas);

Manufacturer's Hanover Trust Co., New York, New York;

Continental Illinois National Bank and Trust Company of Chicago, Chicago, Illinois;

BancTEXAS Dallas, N.A., Dallas Texas (formerly, the National Bank of Commerce of Dallas, Dallas, Texas);

MBank Austin, N.A., Austin, Texas (formerly, The American National Bank of Austin, Austin, Texas);

Citibank New York, New York, New York;

Irving Trust Company, New York, New York; and

Chemical Bank New York Trust Company, New York, New York (formerly, Chemical Bank, New York, New York)

(collectively, the "Other Paying Agents"). Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall pay to the Escrow Agent the sum of \$746,888.51, the sufficiency of which is hereby acknowledged by the Escrow Agent, for all future paying agency services of the Escrow Agent and the Other Paying Agents; and the Escrow Agent warrants that such sum is sufficient for such purpose, and that it has confirmed such sufficiency, and received approval of the arrangements herein made, with the Other Paying Agents. The Escrow Agent shall be obligated to make available to the Other Paying Agents amounts from the Escrow Fund sufficient to pay when due the principal of and interest on any Refunded Obligations presented to the Other Paying Agents for payment, and to pay all charges of the Other Paying Agents for their paying agency services.

The Issuer further agrees, separately and independently from the above amounts, to pay to each Paying Agent/Registrar, respectively, for the Issuer's Permanent University Fund Bonds, New Series 1983-A and Series 1984, and Constitutional Amendment Permanent University Fund Bonds, Series 1985 and Series 1985-A being refunded, the fees and charges, if any, of each such Paying Agent/Registrar for performing the registrar and transfer agent services only of the Paying Agent/Registrar in accordance with the provisions of the proceedings authorizing

the issuance of said Series 1983-A, 1984, 1985, and 1985-A Bonds.

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

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation 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 organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, having 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 funds described in Exhibit "D" attached hereto and the Escrowed Securities, together with the specific sums stated in subsections (a) and (b) of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

EXECUTED as of the date first written above.

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

By _____
Chairman, Board of Regents

ATTEST:

Executive Secretary, Board of
Regents

(BOARD SEAL)

INTERFIRST BANK DALLAS, N.A.
DALLAS, TEXAS

By _____
Title:

ATTEST:

Title:

(CORPORATE SEAL)

ATTACHMENT C

NEW ISSUE

*Interest Exempt, in the Opinion of Co-Bond Counsel, from Present Federal Income Taxes
Under Existing Statutes, Regulations, Published Rulings and Court Decisions*

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



\$345,970,000

Board of Regents of The University of Texas System

Permanent University Fund Refunding Bonds, Series 1985

Dated: October 15, 1985

Due: July 1, as shown herein

The Bonds will constitute valid and legally binding special obligations of the Board of Regents of The University of Texas System (the "Board"), secured by and payable from a first lien on and pledge of the "Interest of The University of Texas System" in the "Available University Fund." See "Security for the Bonds."

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

Interest on the Bonds is payable January 1 and July 1 of each year, commencing July 1, 1986. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any maturity. Principal of the Bonds will be payable to registered owners at maturity or redemption upon presentation at the principal corporate office of the paying agent/registrars (the "Paying Agent/Registrar"), initially MBank Austin, N.A., Austin, Texas. See "Description of the Bonds."

The Bonds are subject to redemption prior to maturity as described herein. The maturity schedule for the Bonds appears on the reverse side of this cover page.

The Bonds are offered when, as and if issued, subject to approval of legality by the Attorney General of the State of Texas, Fulbright & Jaworski, Houston, Texas, McCall, Parkhurst & Horton, Dallas, Texas, and Vinson & Elkins, Houston, Texas, Co-Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Hutchison Price Boyle & Brooks, P.C., Dallas, Texas, and Reynolds, Allen & Cook Incorporated, Houston, Texas. The Bonds are expected to be available for delivery on or about November 21, 1985, in New York, New York.

Morgan Guaranty Trust Company of New York

First Southwest Company

Goldman, Sachs & Co.

MBank Capital Markets

Merrill Lynch Capital Markets

a unit of MBank Dallas, N.A.

Rauscher Pierce Refsnes, Inc.

Rotan Mosle Inc.

Salomon Brothers Inc

Texas Commerce Bank

National Association

Underwood, Neuhaus & Co.

Incorporated

Dated: October 24, 1985.

MATURITY SCHEDULE
\$215,775,000 Serial Bonds

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Price or Yield</u>
1986	\$ 5,925,000	5.25%	100%	1995	\$10,520,000	8.05%	100%
1987	12,625,000	5.75	100	1996	11,330,000	8.20	100
1988	10,320,000	6.25	100	1997	12,220,000	8.40	100
1989	8,895,000	6.70	100	1998	13,215,000	8.55	100
1990	7,420,000	7.00	100	1999	14,315,000	8.70	100
1991	7,920,000	7.30	100	2000	15,515,000	8.80	100
1992	8,475,000	7.60	100	2001	24,815,000	8.90	100
1993	9,095,000	7.75	100	2002	33,395,000	8.90	8.95
1994	9,775,000	7.90	100				

\$130,195,000 9.0% Term Bonds due July 1, 2005 — Price 99.75%
(Accrued interest to be added)

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 OVER-ALLOT 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.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
Introduction	1	Residual Funds After Payment of Bonds	8
Plan of Financing	1	Permanent University Fund	9
Authority for Issuance of the Bonds	1	Introduction	9
Purpose	1	Assets	10
Refunded Bonds	1	Investment Responsibility	11
Sources and Uses of Funds	2	Eligible Investments and Standards	11
Description of the Bonds	2	Absence of Litigation	12
General	2	Legal Matters	12
Redemption	3	Tax Exemption	12
Paying Agent/Registrar	3	Tax Accounting Treatment of Original Issue	
Transfer, Exchange and Registration	3	Discount on Discount Bonds	
Limitation on Transfer of Bonds	4	Legal Investments in Texas	13
Security for the Bonds	4	Ratings	13
Pledge Under the Resolution	4	Underwriting	13
Available University Fund	4	Other Matters	13
Income, Debt Service Requirements and			
Coverage	4	Discussion of the System	Appendix A
Constitutional Debt Power, Debt Limitations	6	Financial Information Regarding the	
Special Covenants	7	System	Appendix B
Additional Parity Bonds and Notes	8	Opinion of Co-Bond Counsel	Appendix C
Future Financings	8	Schedule of Bonds to be Refunded	Appendix D

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

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 Meglasson	Director, Asset Strategy and Planning
Mr. James L. Crowson	Vice Chancellor and General Counsel
Mr. Gerald Hill	Vice Chancellor for Governmental Relations
Mr. Thomas M. Keel	Executive Director of Finance and Administration
Mr. Joe E. Boyd, Jr.	Special Counsel — Finance
Mr. Paul J. Youngdale, Jr.	Director for Development
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

Investment Advisory Committee

Orson C. Clay, Galveston	Dee S. Osborne, Houston
Andrew Delaney, Houston	J. Donald Squibb, Jr., Dallas
Harold W. Hartley, Houston	John T. Trotter, Houston

Co-Bond Counsel

Fulbright & Jaworski	McCall, Parkhurst & Horton	Vinson & Elkins
Houston, Texas	Dallas, Texas	Houston, Texas

OFFICIAL STATEMENT

relating to

\$345,970,000

Board of Regents of The University of Texas System

Permanent University Fund Refunding Bonds, Series 1985

INTRODUCTION

This Official Statement, which includes the cover page and the Appendices hereto, provides certain information regarding the issuance by the Board of its bonds, entitled "Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985" (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the resolution (the "Resolution") adopted by the Board on the date of sale of the Bonds and authorizing their issuance.

The University of Texas System (the "System") consists of The University of Texas at Austin and thirteen other state-supported institutions currently included in the System by operation of State law and the Texas Constitution. The current institutions included within the System are listed on the cover page of this Official Statement. For a general discussion of the System, see *Appendix A*.

The Board is created by law and is the constitutionally recognized governing board of the System. As an agency of the State of Texas, its members are officers of the State and are appointed by the Governor with the advice and consent of the Texas Senate.

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

PLAN OF FINANCING

Authority for Issuance of the Bonds

The Bonds will be issued under the authority of Article VII, Section 18, the Texas Constitution, and 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 for the purpose of refunding all of the Board's previously issued and outstanding obligations which are secured by and payable from liens on and pledges of income from the "Permanent University Fund" allocable to The University of Texas System and paying costs incident thereto. See "Permanent University Fund." The current principal amount of the obligations being refunded is \$384,065,000, and they are herein referred to as the "Refunded Bonds." See *Appendix D*, Schedule of Bonds to be Refunded. The issuance of the Bonds will result in a present value debt service savings to the Board, will permit the restructuring of debt payments to accommodate the financing of future capital projects, will permit the revision of certain excessively restrictive covenants contained in prior bond resolutions and will provide funds to pay the costs of issuance.

Refunded Bonds

The Refunded Bonds and the interest due thereon are to be paid on their scheduled interest payment and maturity dates, from funds to be deposited with InterFirst Bank Dallas, N.A., Dallas, Texas, (the "Escrow Agent") pursuant to an Escrow Agreement (the "Escrow Agreement") between the Board and the Escrow Agent.

The Resolution provides that from the proceeds of the sale of the Bonds, and from other funds of the Board now on hand and lawfully available for such purpose, the Board will deposit with the Escrow Agent the amount necessary to refund the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded 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 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, will be verified by Ernst & Whinney, independent certified public accountants. Such verification of arithmetical accuracy and mathematical computations shall 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 opinions 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 effected the defeasance of the Refunded Bonds pursuant to the terms of the Resolution and in accordance with applicable law. It is the opinion of Co-Bond Counsel that, as a result of such defeasance, the Refunded Bonds will be payable solely from the principal of and interest on the Federal Securities and cash, if any, held for such purpose by the Escrow Agent, and that the Refunded Bonds will not be considered to be an indebtedness of the Board for any purpose.

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

SOURCES AND USES OF FUNDS

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	\$345,970,000.00
Accrued Interest	2,893,796.00
Other Available Funds	33,477,721.66
Total Available Funds	<u>\$382,341,517.66</u>
Uses of Funds:	
Deposit to Escrow Fund.....	\$372,612,576.23
Underwriters' Discount.....	5,036,457.72
Other Underwriters' Expenses	93,200.00
Deposit to Interest and Sinking Fund	2,893,796.00
Costs of Issuance	1,231,058.51
Original Issue Discount.....	474,429.20
Total Application of Funds	<u>\$382,341,517.66</u>

DESCRIPTION OF THE BONDS

General

The Bonds will be issued only as fully registered bonds in any integral multiple of \$5,000 within a stated maturity, will be dated October 15, 1985, and will accrue interest from their stated date. The Bonds will bear interest at the per annum rates shown on the reverse side of the cover page hereof. Interest on the Bonds is payable on January 1 and July 1 of each year, commencing July 1, 1986. The Bonds mature on July 1 in the years and in the principal amounts set forth in the maturity schedule contained on the reverse side of the cover page hereof.

The principal of and interest on the Bonds are payable only to the registered owners thereof appearing in the bond registration books, maintained by the Paying Agent/Registrar, as of the close of business on the 15th day of the month next preceding each principal and/or interest payment date (the "Record Date"). Principal of all Bonds is payable at maturity or on the date of earlier redemption and only upon presentation and surrender of such Bonds at the principal corporate trust office of the Paying Agent/Registrar. Interest on the Bonds will be paid by check mailed by the Paying Agent/Registrar to the registered owners thereof as shown in the bond registration books of the Paying Agent/Registrar as of the Record Date. Alternatively, at the risk and expense of a registered owner, interest may be paid by another method acceptable to 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 day on which banking institutions where 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 maturing on and after July 1, 1996 are subject to redemption prior to maturity at the option of the Board, on July 1, 1995 or on any interest payment 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 price of par plus accrued interest to the date fixed for redemption.

The Bonds scheduled to mature on July 1, 2005 are subject to mandatory sinking fund redemption in part on July 1, 2003 and 2004 (with particular Bonds or portions thereof to be selected by the Board for redemption), in any integral multiple of \$5,000, at the price of par plus accrued interest to the date fixed for redemption. The principal amounts of such sinking fund redemptions are \$36,325,000 on July 1, 2003 and \$44,925,000 on July 1, 2004.

Not less than thirty days prior to a redemption date, a notice of redemption shall be published in a financial publication in accordance with the Resolution. Additional notice shall 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. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether actually received by the owner.

Paying Agent/Registrar

The initial Paying Agent/Registrar is MBank Austin, N.A., Austin, Texas. In 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 bank, trust company, financial institution, or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the Board agrees promptly to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/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, and 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. 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. To the extent possible, 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 in not more than three business days 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 any integral multiple of \$5,000 for any one maturity and shall 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 shall be required to assign, transfer, convert or exchange (a) any Bond during a period beginning at the close of business on any Record Date, and ending at the opening of business on the next following principal or interest payment date, or (b) any Bond called for redemption when such redemption is scheduled to occur within forty-five days of the date fixed for redemption.

SECURITY FOR THE BONDS

Pledge Under the Resolution

Pursuant to constitutional authority, the Resolution provides that the Bonds and any Additional Parity Bonds and Notes hereafter issued and the interest thereon are equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund.

Available University Fund

The Available University Fund consists of the dividends, interest and other income of the Permanent University Fund (less expenses attributable to the administration of the Permanent University Fund), including income attributable to the surface of Permanent University Fund land. See "Permanent University Fund." As such income is received, the Comptroller of Public Accounts of the State of Texas credits the receipts to the Available University Fund and the moneys are deposited by the State Treasurer among the other funds of the State.

Two-thirds of the amounts attributable to the Available University Fund, after deducting administrative expenses, are constitutionally appropriated to the System, to be used for constitutionally prescribed purposes, and is defined in and for all purposes of the Resolution as the "Interest of The University of Texas System in the Available University Fund." The remaining one-third of the amounts attributable to the Available University Fund, after deducting such expenses, is constitutionally appropriated to The Texas A&M University System.

Moneys credited to the Available University Fund are administered by the State Treasurer and are, along with other funds of the State, deposited in eligible bank depositories of the State. Earnings on that portion of the Available University Fund appropriated to the System accrue to and become a part of the System's share of the Available University Fund.

Income, Debt Service Requirements and Coverage

Table I and Table II, below, contain statements of historical and projected earnings of the Permanent University Fund that were and will be deposited, if realized, to the Available University Fund, together with projected debt service coverage with respect to the Bonds:

Table I
Permanent University Fund
Historical and Estimated Annual Income(1)
(000 Omitted)

<u>Fiscal Year Ending August 31</u>	<u>Total Available University Fund (after Administration Expenses)(2)</u>	<u>Two-Thirds Interest of the System in Available University Fund</u>	<u>Other Income(3)</u>	<u>Total Income Available to Pay Debt Service of the Bonds</u>
1980	\$ 85,068	\$ 56,712	\$4,076	\$ 60,788
1981	106,917	71,278	6,001	77,279
1982	143,089	95,392	6,003	101,425
1983	156,486	104,324	6,726	111,050
1984	171,437	114,291	6,244	120,535
1985	187,394	124,929	7,100	132,029
1986	200,500	133,800	6,000	139,800
1987	208,200	138,800	6,000	144,800
1988	220,500	147,000	6,000	153,000
1989	232,500	155,000	6,000	161,000
1990	244,500	163,000	6,000	169,000

- (1) The amounts stated in the years 1980 through 1984 are audited actual amounts. The 1985 amounts are the unaudited amounts reflected on the books of the System. The amounts stated in the years 1986 through 1990 represent estimates prepared under the direction of the Administration of the System based on investment forecasts and assumptions believed to be reasonable. However, no assurance can be or is given that the estimates will not materially differ from actual results in the future.
- (2) The expenses of administering the Permanent University Fund constitute a first claim on the income therefrom and are deducted prior to dividing the Available University Fund between the System and The Texas A&M University System. During the last ten years, the expenses of administering the Permanent University Fund have averaged \$3,070,000 annually.
- (3) Through 1985, represents certain income from the Permanent University Fund which under early constitutional provisions is appropriated solely to the System, plus earnings on share of System in Available University Fund. From 1986 forward, represents estimated earnings on share of System in Available University Fund.

Table II
PROJECTED COVERAGE OF DEBT SERVICE ON THE BONDS

Fiscal Year Ending August 31,	Total Income Available for Debt Service(1)	Principle Debt Service	Interest Debt Service	Annual Debt Service	Coverage(2)
1986	\$139,800,000	\$ 5,925,000	\$20,578,105	\$26,503,105	5.27
1987	144,800,000	12,625,000	28,626,898	41,251,898	3.51
1988	153,000,000	10,320,000	27,900,960	38,220,960	4.00
1989	161,000,000	8,895,000	27,255,960	36,150,960	4.45
1990	169,000,000	7,420,000	26,659,995	34,079,995	4.96
1991	169,000,000	7,920,000	26,140,595	34,060,595	4.96
1992	169,000,000	8,475,000	25,562,435	34,037,435	4.97
1993	169,000,000	9,095,000	24,918,335	34,013,335	4.97
1994	169,000,000	9,775,000	24,213,473	33,988,473	4.97
1995	169,000,000	10,520,000	23,441,248	33,961,248	4.98
1996	169,000,000	11,330,000	22,594,388	33,924,388	4.98
1997	169,000,000	12,220,000	21,665,328	33,885,328	4.99
1998	169,000,000	13,215,000	20,638,848	33,853,848	4.99
1999	169,000,000	14,315,000	19,508,965	33,823,965	5.00
2000	169,000,000	15,515,000	18,263,560	33,778,560	5.00
2001	169,000,000	24,815,000	16,898,240	41,713,240	4.05
2002	169,000,000	33,395,000	14,689,705	48,084,705	3.51
2003	169,000,000	36,325,000	11,717,550	48,042,550	3.52
2004	169,000,000	44,925,000	8,448,300	53,373,300	3.17
2005	169,000,000	48,945,000	4,405,050	53,350,050	3.17

(1) The total income available for debt service are estimates prepared under the direction of the Administration of the System based on investment forecasts and assumptions believed to be reasonable. However, no assurance can be or is given that the estimates will not materially differ from actual results in the future.

(2) Represents Total Income Available for Debt Service divided by Total Debt Service on the Bonds.

Constitutional Debt Power, Debt Limitations

The discretion to direct the use of the Interest of The University of Texas System in the Available University Fund, after expenses, for constitutionally authorized purposes is vested in the Board. The discretion to direct the use of the one-third interest of The Texas A&M University System in the Available University Fund, after expenses, is vested in the Board of Regents of The Texas A&M University System.

Article VII, Section 18(b), the Texas Constitution, authorizes the Board to issue bonds and notes, payable from all or any part of its Interest in the Available University Fund for the purpose of (a) acquiring land with or without permanent improvements, (b) constructing and equipping buildings or other permanent improvements, (c) making major repairs and rehabilitations of buildings and other permanent improvements, (d) acquiring capital equipment, library books and library materials, and (e) refunding bonds or notes issued under said section or prior law at or for System administration and the component institutions of the System. The pledge and security created and granted in the Resolution is accomplished pursuant to that constitutional provision.

The Constitution limits the aggregate amount of bonds and notes (which are payable from the Board's share of the Available University Fund) that may be issued by the Board to amounts not exceeding, at the time of issuance, 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate. As of August 31, 1985, the cost value of the Permanent

University Fund, exclusive of real estate, was \$2,316,874,000. Accordingly, as of this date, after the issuance of the Bonds, the Board will be authorized to issue an additional \$117,404,800 of bonds or notes payable from its Interest in the Available University Fund. For the purpose of making these calculations, "cost value" and "book value" are treated as equivalent terms.

Article VII, Section 18(a), the Texas Constitution, grants similar authority to the Texas A&M University System to issue bonds and notes for the purposes of that system, except that (a) such bonds and notes may be made payable only from and secured only by that system's one-third interest in the Available University Fund, and (b) the aggregate amount of bonds and notes which may be issued by that system is limited to 10% of the cost value of the investments and assets of the Permanent University Fund, exclusive of real estate, at the time of issuance.

Special Covenants

The Resolution requires the Comptroller of Public Accounts of the State of Texas to establish and maintain in the State Treasury an interest and sinking fund for the Bonds and any Additional Parity Bonds or Notes permitted to be issued under the Resolution. The Resolution requires the Board and the officers of the System to cause the Comptroller, on or before the date on which principal or interest is due on the Bonds, to transfer from the interest and sinking fund to the Paying Agent/Registrar amounts sufficient to pay such principal and interest.

The Board additionally covenants and agrees:

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

(b) That the Board will duly and punctually pay or cause to be paid the principal of every Bond and every Additional Parity Bond and Note, when issued, and the interest thereon, from the sources, on the days and 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 faithfully do and perform and at all times fully observe all covenants, undertakings and provisions contained in the Resolution and in the aforesaid obligations;

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

(d) That proper books of records and accounts will be kept in which true, full, and correct entries will be made of all income, expenses, and transactions of and in relation to the Permanent University Fund and each and every part thereof in accordance with accepted accounting practices. As soon after the close of each fiscal year (September 1 to August 31, inclusive) as may reasonably be done the Board will furnish to all bondholders and owners who may so request, full audits and reports by the State Auditor of Texas for the preceding fiscal year, showing the income to the Permanent University Fund, the amount realized from investments of such Fund, total sums accruing to The University of Texas System as the Interest of The University of Texas System in the Available University Fund, the cost of administering the Permanent University Fund, the amount actually paid as principal of and interest on the Bonds and any Additional Parity Bonds and Notes, when issued, and the balance of the Interest of The University of Texas System in the Available University Fund made available to the Board for other purposes.

Additional Parity Bonds and Notes

The Board reserves the right, exercisable at any time and from time to time, to issue and deliver Additional Parity Bonds and/or Additional Parity Notes, in as many separate installments or series as deemed advisable by the Board, but only for constitutionally permitted (including refunding) purposes. Such Additional Parity Bonds and Notes, when issued, and the interest thereon, will be equally and ratably secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund, in the same manner and to the same extent as are the Bonds. It is further covenanted, however, that no installment or series of Additional Parity Bonds or Notes shall be issued and delivered unless the Executive Vice Chancellor for Asset Management, or some other officer of the System designated by the Board executes:

(a) a certificate to the effect that for the fiscal year immediately preceding the date of said certificate the amount of the Interest of The University of Texas System in the Available University Fund was at least 1½ times the average annual Principal and Interest Requirements of the installment or series of Additional Parity Bonds or Notes then proposed to be issued and all then outstanding Bonds and Additional Parity Bonds and Notes which will be outstanding after the issuance and delivery of said proposed installment or series; and

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

Future Financings

Article VII, Section 18, the Texas Constitution, provides that, except for cases of demonstrated need and upon a vote of two-thirds of each house of the Texas Legislature, and except in cases of fire or natural disaster, member institutions of the System may not receive any funds from the general revenues of the State for acquiring land, with or without improvements, for constructing or equipping buildings or other permanent improvements, or for major repairs or rehabilitations of buildings or other permanent improvements. Accordingly, the needs of the System for capital funds through the issuance of bonds or notes are on-going. While the Board has no present intention to issue Additional Parity Bonds or Notes during the remainder of 1985 and early 1986, the Board reserves the right to do so. The Board will, however, shortly consider issuing variable rate obligations for various capital projects in an amount yet to be determined but currently estimated to be \$75,000,000. The liens thereof will be subordinated to the lien of the Bonds.

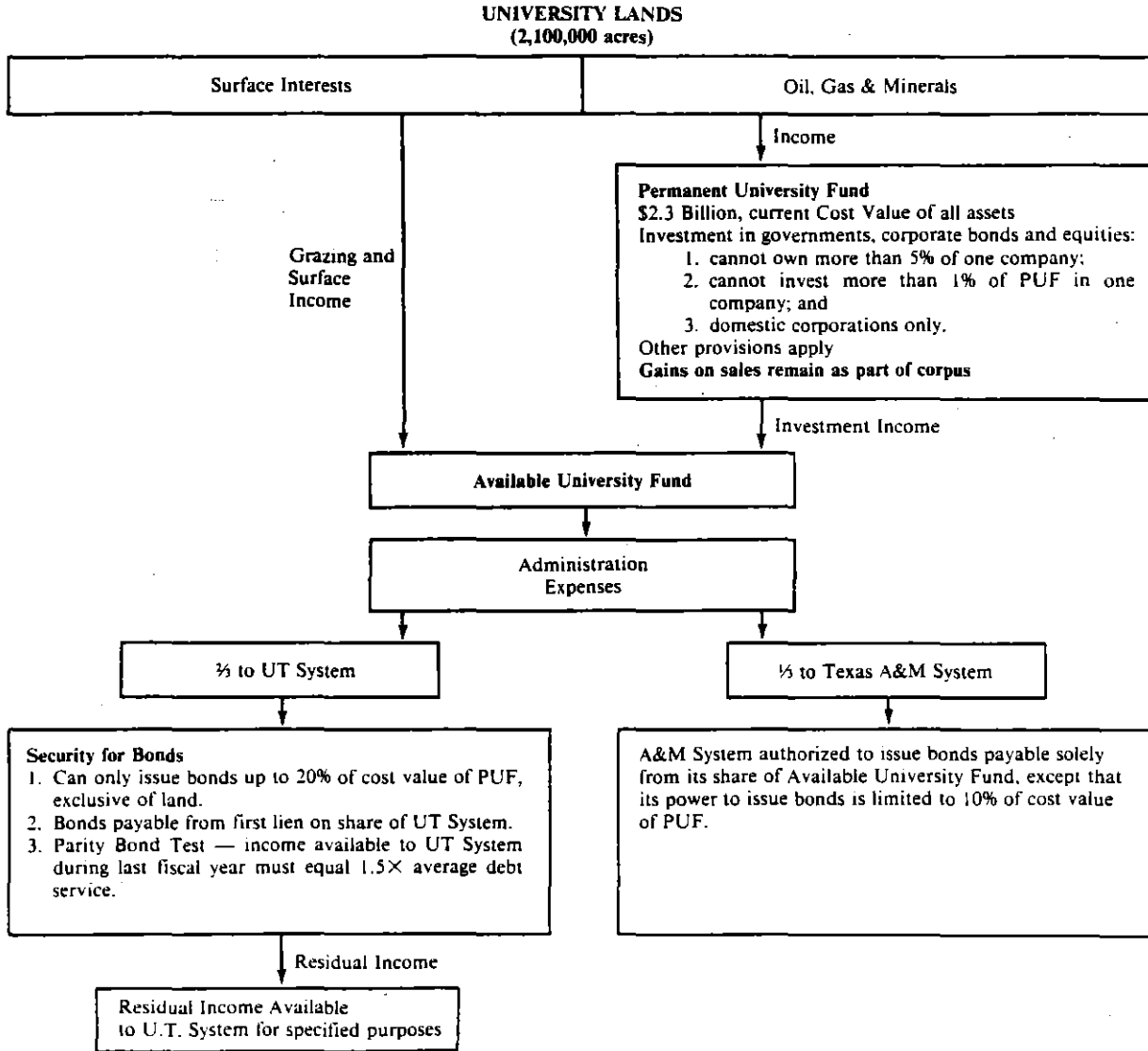
Residual Funds After Payment of Bonds

After the payment of annual debt service on the Bonds and any Additional Parity Bonds and Notes and after payment of any subordinate lien obligations, constitutional provisions appropriate the remaining amount attributable to the Interest of the System in the Available University Fund as follows: (a) first, the sum of \$6,000,000 annually, for ten years commencing November 1, 1984, to Prairie View A&M University, and (b) the balance to the Board for the support and maintenance of The University of Texas at Austin and for the administration of the System.

PERMANENT UNIVERSITY FUND

Introduction

The Permanent University Fund is a constitutional fund, created in the Texas Constitution of 1876. The assets and earnings of the Permanent University Fund are dedicated to the uses and purposes of The University of Texas System and The Texas A&M University System. See "Security for the Bonds — Available University Fund." A graphic summary and analysis of the relationship among the Permanent University Fund, the Available University Fund, the System and The Texas A&M University System follows. Said summary and analysis is qualified in its entirety by reference to the full text of this Official Statement and to the documents, laws and constitutional provisions referred to herein.



As interpreted by the Supreme Court and by the Attorney General of Texas, the Permanent University Fund must be forever kept intact, and the proceeds from oil, gas, sulphur and water royalties, together with all gains on investments, all rentals on mineral leases, all lease bonuses and all amounts received from the sale of land must be added to the corpus of such Fund.

Table III contains a statement of the annual growth in the Permanent University Fund (additions from income and gains required to become a part of the corpus) through fiscal year 1985.

Table III
PERMANENT UNIVERSITY FUND
(Annual Fund Growth — 000 omitted)

<u>Fiscal Year Ending August 31</u>	<u>Oil, Gas & Sulphur Royalties</u>	<u>Mineral Lease Bonuses</u>	<u>Other Sources</u>	<u>Total Additions</u>
Prior to September 1, 1973	\$ 391,834	\$226,445	\$ 51,076	\$ 669,355
1974	31,541	12,542	846	44,929
1975	58,512	8,266	710	67,488
1976	70,123	15,379	(12,676)	72,826
1977	76,598	13,862	1,012	91,472
1978	76,845	18,573	1,832	97,250
1979	76,637	10,818	3,043	90,498
1980	119,356	253	3,041	122,650
1981	160,285	98,282	4,316	262,883
1982	178,286	20,221	7,886	206,393
1983	154,702	742	21,431	176,875
1984	145,186	7,254	27,462	179,902
1985	135,422	244	98,687	234,353
Totals	<u>\$1,675,327</u>	<u>\$432,881</u>	<u>\$208,666</u>	<u>\$2,316,874</u>

Assets

In the early years of the Permanent University Fund, approximately 2,000,000 acres of land, located principally in nineteen West Texas Counties, were granted as the permanent initial endowment of the Permanent University Fund. No land has been sold and, as of this date, land holdings of the Permanent University Fund total approximately 2,100,000 acres.

Table IV lists, as of August 31, 1985, the distribution and book value of the assets of the Permanent University Fund, with land being carried at nominal value.

Table IV
ASSETS OF THE PERMANENT UNIVERSITY FUND
(As of August 31, 1985)

	<u>Book Value</u>
Cash	\$ 15,902,215
Commercial Paper	232,186,514
U.S. Treasury and Agency Securities	718,626,851
FHA Real Estate Mortgages	5,007,273
Corporate Bonds	712,468,087
Common Stocks	624,422,639
Convertible Preferred Stock	2,501,625
Preferred Stock	5,759,500
Land (1)	10,027,384
Total	<u>\$2,326,902,088</u>

(1) Land value is reported on the basis of nominal value.

Investment Responsibility

The responsibility for managing and investing the Permanent University Fund is constitutionally assigned to the Board. The Board currently employs one investment counseling firm and, by November 1, 1985, expects to employ six additional investment counseling firms, to provide professional guidance in optimizing investment performance while complying with legal limitations and policy guidelines. The Board for Lease of University Lands, composed of representatives of the System, The Texas A&M University System and the State Land Commissioner, is responsible for developing and approving oil, gas and other mineral leases.

The Board additionally appoints a six-member Investment Advisory Committee of citizen members whose particular qualifications and experience qualify them in the opinion of the Board to advise the Board and the Administration of the System with respect to investment policy, planning and performance evaluations.

The principal administrative officer responsible for the management of the Permanent University Fund is the Executive Vice Chancellor for Asset Management. He is supported by a staff of more than 100 employees, consisting of analysts, accountants, geologists and other support personnel. His duties and powers include the power to make and execute daily investment decisions consistent with legal limitations and policy guidelines.

The Texas Education Code additionally requires the Board to employ a well recognized performance measurement service to evaluate and analyze the investment results of the Permanent University Fund with other public and private funds having similar objectives.

Eligible Investments and Standards

Under current provisions of the Texas Constitution, the Board is authorized to invest the Permanent University Fund in securities, bonds or other obligations issued, insured or guaranteed in any manner by the United States Government or any of its agencies, and in such bonds, debentures or obligations, and preferred and common stocks issued by corporations, associations or other institutions as the Board deems to be proper investments; provided, however, that no more than one percent of the Permanent University Fund may be invested in the securities of any one corporation, nor shall more than five percent of the voting stock of any one corporation be owned; provided, further, that stocks eligible for purchase shall be restricted to stocks of companies incorporated within the United States which have paid dividends for five consecutive years or longer immediately prior to the date of purchase and which, except for bank stocks and insurance stocks, are listed upon an exchange registered with the Securities and Exchange Commission or its successors.

In addition to constitutional restrictions, Board rules provide that (a) corporate bonds and preferred stocks must be rated "Baa," "BBB," or higher, or if not rated, must in the opinion of the Board's investment staff be of at least equal quality to such ratings; and (b) commercial paper must be rated in the top two quality classes by Moody's Investors Service or Standard & Poor's Corporation.

The Resolution requires the Board to maintain and invest and keep invested the Permanent University Fund in a prudent manner and as required by law. In making each and all investments, the Texas Constitution requires the Board to exercise the judgment and care under the circumstances then prevailing which men of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

To the best knowledge and belief of the Board, the Board's investments, practices and policies are in full compliance with the requirements of the Texas Constitution and the Resolution.

In accordance with state law, the books, records and accounts of the Permanent University Fund and the Available University Fund, as well as the other books, records and accounts of the System, are conducted by the State Auditor, an officer of the State of Texas. Due to the number of state agencies and departments audited, significant delays in receiving audits are sometimes encountered.

ABSENCE OF LITIGATION

The Board is not a party to any litigation or other proceeding pending or, to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Board, would have a material adverse effect on the financial condition of the Board, the Permanent University Fund or the System's Interest in the Available University Fund, and 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, McCall, Parkhurst & Horton and Vinson & Elkins, Co-Bond Counsel to the Board, whose approving opinion will be printed on the Bonds in the form attached hereto as *Appendix C*. 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 contained under the subheadings "Income, Debt Service Requirements and Coverage," "Constitutional Debt Powers, Debt Limitations" and "Future Financings"), "TAX EXEMPTION" and "LEGAL INVESTMENTS IN TEXAS" 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 Hutchison Price Boyle & Brooks, P.C., and Reynolds, Allen & Cook Incorporated.

TAX EXEMPTION

In the opinion of Co-Bond Counsel, interest on the Bonds is exempt from all present Federal income taxes under applicable statutes, published rulings, regulations and court decisions existing on the date of such opinion. The laws, regulations, court decisions and administrative regulations and published rulings upon which the conclusion stated in such opinion will be based are subject to change by the Congress, the Treasury Department and later judicial and administrative decisions.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT ON DISCOUNT BONDS

Under the Internal Revenue Code of 1954, as amended, including amendments made by the Tax Reform Act of 1984, the original issue discount on each Bond issued with such discount ("Discount Bond") is accrued daily to the stated maturity of the Discount Bond (in amounts for each six-month period, or the shorter period from the date of original issue of the Discount Bond, which ends on a day corresponding to the maturity date of the Discount Bond or the date six months before such maturity date, calculated as described below and ratably within each such period) and the accrued amount is added to an initial bondholder's basis for the Discount Bond for purposes of determining the amount of gain or loss recognized by such bondholder upon redemption, sale or other disposition of the Discount Bond. The amount to be added to basis for an accrual period is equal to (i) the sum of the issue price, plus the amount of original issue discount accrued in prior periods multiplied by the yield to maturity (determined on the basis of compounding at the close of the accrual period and properly adjusted for the length of the accrual period), less (ii) the sum of the amounts payable as accrued interest during the accrual period of the Discount Bond.

The Tax Reform Act of 1984 contains additional provisions relating to the accrual of original issue discount and the adjustment to basis in the case of subsequent purchasers of the Bonds. Owners of the Discount Bonds should consult their own tax advisors with respect to the determination for federal.

state, local and foreign income tax purposes of interest accrued upon sale or redemption of the Discount Bonds and with respect to the federal, state, local and foreign tax consequences of acquiring and owning Discount Bonds.

LEGAL INVESTMENTS IN TEXAS

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 fund of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. 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 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

Rating applications have been made to Moody's Investors Service ("Moody's") and to Standard & Poor's Corporation ("Standard & Poor's") for ratings on the Bonds. An explanation of the significance of each such rating may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations at the time such ratings were 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 \$ from the initial public offering prices of the Bonds set forth on 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. 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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THE UNIVERSITY OF TEXAS SYSTEM

History, Administration, Sources of Funding

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

The Board consists of nine regents who serve without pay. Members are appointed to staggered six-year terms. Administration of the University conforms to that of leading American universities. The System is headquartered in Austin, Texas, and is supported by State appropriations, private gifts and endowments, Federal appropriations and grants, student tuitions and fees, 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	50.4%
Federal Funds	10.2
Sales and Service of Hospitals	15.3
Private Gifts	5.2
Student Tuition and Fees	3.5
Sales and Services of Auxiliary Enterprises	5.9
Endowment Income (Including Allocations from Available University Fund).....	3.9
Sales and Service of Education Activities and Other	5.6
Total	<u>100.0%</u>

Institutional Enrollment

The preliminary 1985 fall student enrollments at the teaching institutions of the System are as shown below:

U.T. Arlington	23,112
U.T. Austin	47,833
U.T. Dallas	7,180
U.T. El Paso	14,119
U.T. Permian Basin	1,905
U.T. San Antonio	12,137
U.T. Tyler	3,676
U.T. Health Science Center at Dallas	1,433
U.T. Medical Branch at Galveston	1,640
U.T. Health Science Center at Houston.....	2,586
U.T. Health Science Center at San Antonio	2,208
Total	<u>117,829</u>

Discussion of General Academic Institutions

The University of Texas at Arlington, which has the fifth largest university enrollment in the State of Texas, is located in Arlington, between Dallas and Fort Worth. Serving both a resident and commuter student body, the institution 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, which is a statutory unit; School of Architecture and Environmental Design; School of Nursing; and Center for Professional Teacher Education.

The University of Texas at Austin is a major research university with many nationally ranked academic programs at the graduate level. Its library collections and research resources are ranked among

the finest in the world. The present site has expanded into more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin 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 and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

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. This University 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 and continue to attract one of the state's largest budgets for sponsored research activities. Those activities are enhanced by a campus of more than 600 acres. A graduate level school of engineering was recently approved for the University. 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 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 six Colleges: Business Administration, Education, Engineering, Liberal Arts, Nursing and Allied Health Sciences, and Science, plus the Graduate School. The University is accredited through the doctoral level by the Southern Association of Colleges and Schools and offers a doctorate in Geological Sciences. The location on the Texas-Mexico border brings many students from Mexico to the campus.

The University of Texas of the Permian Basin in Odessa opened for classes in September 1973. As directed by the Texas Legislature in 1969, U.T. 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 authorized by the Texas Legislature in 1969. Graduate programs were initiated in leased facilities in June 1973; during the summer of 1975, the University 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 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. The four schools within the university organization 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.

The University of Texas Institute of Texan Cultures at San Antonio, founded as a world's fair exhibit for HemisFair '68, has grown into a statewide resource and information center concerned with the people and history of Texas. Visitors numbered more than 300,000 last year. The Institute is the learning and communication center for the history, culture and folklore of Texas. The exhibit floor containing displays, artifacts, historic photographs and vignettes on Texas history has been expanded to a teaching laboratory with 165 trained volunteers and staff members providing living history demonstrations of folk customs and crafts. The production staff serves museums across the state with design, photography and exhibit fabrication.

Health Related Institutions

The University of Texas Health Science Center at Dallas was established in the fall of 1972 as a component institution consisting of the existing Southwestern Medical School, the Graduate School of Biomedical Sciences and the School of Allied Health Sciences. Southwestern Medical School 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 graduate a total of more than 180 health scientists and professionals.

The University of Texas Medical Branch 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. The Medical Branch includes the oldest medical school in Texas, 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 Medical Branch 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 (1963); the School of Public Health in Texas (1967); the Medical School (1970); the School of Nursing (1972); and the School of Allied Health Sciences (1973). The Division of Continuing Education and the Speech and Hearing Institute complete the eight components. With its 668 full-time and 138 part-time faculty in eight teaching and research buildings, the Houston Health Science Center also is the largest institutional member of the Texas Medical Center.

The University of Texas Health Science Center at San Antonio was established 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.

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 that disease. With M. D. Anderson Hospital and Tumor Institute at Houston as its hub, the 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 there. At least 10,000 health professionals and scientists have received training at M. D. Anderson Hospital. Cancer Center researchers are involved in more than 525 scientific projects aimed at cancer control and prevention. The 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.

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APPENDIX B

FINANCIAL INFORMATION REGARDING THE SYSTEM

- (1) Condensed Statement of Assets and Net Worth**
- (2) Current Revenues, Expenditures and Mandatory Transfers**
- (3) Indebtedness Not Payable from Available University Fund**

THE UNIVERSITY OF TEXAS SYSTEM
CONDENSED STATEMENT OF ASSETS AND NET WORTH(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	\$ 268,600,000
Auxiliary Enterprises and Activities	41,086,421	49,707,283	54,386,358	69,045,826	75,000,000
Designated	170,250,925	217,800,724	268,112,875	258,443,462	279,900,000
Restricted	228,796,274	235,307,561	254,457,856	295,377,193	319,900,000
Total Current Funds	<u>588,426,139</u>	<u>658,969,540</u>	<u>803,985,010</u>	<u>870,847,830</u>	<u>943,400,000</u>
Loan Funds	38,590,766	40,602,759	44,900,251	49,506,865	54,500,000
Endowment and Similar Funds:					
State (Permanent University Fund)	1,529,378,125	1,735,771,704	1,912,646,657	2,092,548,880	2,326,900,000
Other than State	144,822,583	186,846,894	245,694,952	319,456,771	389,500,000
Total Endowment and Similar Funds	<u>1,674,200,708</u>	<u>1,922,618,598</u>	<u>2,158,341,609</u>	<u>2,412,005,651</u>	<u>2,716,400,000</u>
Annuity and Life Income Funds	4,015,977	4,270,404	4,386,988	4,226,482	4,600,000
Available University Fund	47,068,980	59,393,741	59,206,856	72,965,475	69,000,000
Plant Funds:					
Unexpended	270,703,051	278,900,348	267,487,890	297,931,609	326,200,000
Renewals and Replacements	6,734,106	8,516,618	7,120,412	7,709,931	8,300,000
Fund for Retirement of Indebtedness	89,173,578	93,410,709	95,856,259	110,710,094	111,900,000
Invested in Plant	1,951,020,466	2,125,924,201	2,294,183,734	2,507,801,796	2,746,000,000
Total Plant Funds	<u>2,317,631,201</u>	<u>2,506,751,876</u>	<u>2,664,648,295</u>	<u>2,924,153,430</u>	<u>3,192,400,000</u>
Agency Funds	29,503,453	35,083,786	37,333,713	44,697,696	50,800,000
DEDUCT: Interfund Group Accounts	73,261,894	90,698,279	68,935,844	82,075,062	90,700,000
GRAND TOTAL ASSETS	<u>4,626,175,330</u>	<u>5,136,992,425</u>	<u>5,703,866,878</u>	<u>6,296,328,367</u>	<u>6,940,400,000</u>
Less: Total Liabilities (not including orders and contracts)	789,319,094	785,988,129	825,706,649	971,939,797	1,078,800,000
FUND BALANCES (i.e., Net Worth)	<u>\$3,836,856,236</u>	<u>\$4,351,004,296</u>	<u>\$4,878,160,229</u>	<u>\$5,324,388,570</u>	<u>\$5,861,600,000</u>

(1) The University of Texas 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) Preliminary; unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
CURRENT REVENUES, EXPENDITURES AND MANDATORY TRANSFERS(1)

	Fiscal Year Ended August 31,				
	1981	1982	1983	1984	1985(2)
CURRENT REVENUES:					
Tuition and Fees	\$ 55,256,693	\$ 59,036,224	\$ 61,934,707	\$ 64,924,284	\$ 68,000,000
Federal Funds	185,711,999	180,387,675	179,785,974	188,382,504	196,300,000
State Appropriations	672,548,506	819,657,916	921,708,827	943,976,556	966,600,000
Private Gifts	56,685,641	68,289,677	80,689,465	90,114,683	99,500,000
Endowment Income (Includes Transfers from Available University Fund).....	28,870,244	40,625,397	52,391,655	68,204,235	75,800,000
Sales and Services of Auxiliary Enterprises.....	68,306,297	80,232,658	92,082,396	102,697,168	114,200,000
Sales and Services of Hospitals and Clinics:					
Professional Fees	198,496,158	248,670,301	278,501,338	285,632,549	293,100,000
Sales and Services of Educational Departments and Other Services	67,724,050	90,636,591	74,960,624	89,629,200	107,100,000
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>1,920,600,000</u>
CURRENT EXPENDITURES AND MANDATORY TRANSFERS:					
Educational and General.....	1,144,811,625	1,340,635,540	1,498,598,949	1,625,843,582	1,705,400,000
Auxiliary Enterprises	83,192,241	95,195,123	104,758,914	116,490,743	122,000,000
Mandatory Transfers	26,690,578	26,059,335	38,760,677	54,047,509	56,600,000
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>1,884,000,000</u>
EXCESS REVENUES OVER EXPENDITURES AND MANDATORY TRANSFERS	<u>\$ 78,905,144</u>	<u>\$ 125,646,441</u>	<u>\$ 99,936,446</u>	<u>\$ 37,179,345</u>	<u>\$ 36,600,000</u>

(1) The University of Texas 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) Preliminary; unaudited.

THE UNIVERSITY OF TEXAS SYSTEM
INDEBTEDNESS NOT PAYABLE FROM AVAILABLE UNIVERSITY FUND

	<u>Original Amount Issued</u>	<u>August 31, 1985 Outstanding</u>	<u>Maximum P&I Requirements</u>	<u>I&S and Reserve Funds August 31, 1985</u>
The University of Texas System				
General Tuition Revenue Bonds, Series 1971, 1972, 1972-A and 1978	\$149,280,000	\$111,165,000	\$11,023,374	\$15,782,695
The University of Texas at Austin				
Dormitory Revenue Bonds, Series 1954	3,402,000	1,295,000	155,850	525,228
Student Union Revenue Bonds, Series 1958-B	1,220,000	268,000	86,555	443,358
Housing System Revenue Bonds, Series 1967	16,500,000	12,600,000	895,690	1,857,758
Building Revenue Bonds, Series 1974 and 1978(1)	59,310,000	47,705,000	4,221,548	12,912,972
Married Student Housing Revenue Bonds, Series 1971 and 1981	8,850,000	8,195,000	943,463	1,135,168
Combined Fee Revenue Bonds, Series 1971, 1972, 1973 and 1978(2)	80,710,000	63,490,000	5,696,573	7,562,350
Building Revenue Bonds, Series 1969 and 1983	54,000,000	48,435,000	5,024,595	8,611,384
Parking Facilities Revenue Bonds, Series 1984	3,000,000	3,000,000	376,424	376,649
The University of Texas at Arlington				
Student Center Fee Revenue Bonds, Series 1960	600,000	142,000	40,281	94,699
Gymnasium Fee Revenue Bonds, Series 1961	650,000	184,000	42,315	99,914
Housing System Refunding Revenue Bonds, Series 1963	1,806,000	746,000	203,350	136,761
Student Fee Revenue Bonds, Series 1964, 1966 and 1968	6,285,000	3,260,000	351,450	465,267
Combined Fee Revenue Bonds, Series 1971-A, 1973, 1973-A, 1974, 1978 and 1985	37,800,000	32,682,000	3,217,144	2,758,197
Apartment Revenue Bonds, Series 1978	1,500,000	1,215,000	134,063	295,610
9% Apartment Revenue Bonds, Series 1985	950,000	950,000	106,900	—
The University of Texas at El Paso				
Texas Western College Student Union Revenue Bonds, Series A&B of 1967	3,158,000	2,233,000	195,045	304,142
Building Revenue Bonds, Series 1969	8,500,000	6,995,000	567,480	1,048,436

	Original Amount Issued	August 31, 1985 Outstanding	Maximum P&I Requirements	I&S and Reserve Funds August 31, 1985
Combined Fee Revenue Bonds, Series 1970, 1971, 1973, 1974 and 1979	21,000,000	17,935,000	1,558,870	2,322,767
The University of Texas at Dallas Combined Fee Revenue Bonds, Series 1978	9,000,000	8,000,000	698,700	1,071,192
Utility Reserve Bonds, Series 1980	10,125,000	8,770,000	1,011,905	1,169,485
The University of Texas at Tyler Texas Eastern University Combined Fee Revenue Bonds, Series 1976	1,750,000	1,385,000	158,250	175,875
The University of Texas at San Antonio Combined Fee Revenue Bonds, Series 1980 and 1984	16,500,000	15,755,000	1,803,190	1,664,265
Utility Revenue Bonds, Series 1980	9,775,000	8,470,000	978,255	1,129,504
The University of Texas Health Science Center-Houston Housing System Revenue Bonds, Series 1981	14,000,000	13,540,000	1,832,488	2,421,889
Galveston Medical Branch Endowment and Hospital Revenue Bonds, Series 1973	34,500,000	25,875,000	2,726,825	16,827,874
M.D. Anderson Hospital and Tumor Institute at Houston Endowment and Hospital Revenue Bonds, Series 1972 and 1976	18,500,000	12,995,000	1,571,270	24,922,540
Hospital Revenue Bonds, Subordinate Lien, Series 1976	4,770,000	3,880,000	405,016	5,549,055

(1) \$4,915,000 Building Revenue Bonds, Series 1974-A are outstanding but have been advance refunded and are fully defeased.

(2) \$5,355,000 Combined Fee Revenue Bonds, Series 1974 are outstanding but have been advance refunded and are fully defeased.

(Opinion of Co-Bond Counsel)

FULBRIGHT & JAWORSKI McCALL, PARKHURST & HORTON VINSON & ELKINS

November 21, 1985

Board of Regents of The University of Texas System

Permanent University Fund Refunding Bond, Series 1985,

Dated October 15, 1985,

In the Principal Amount of \$345,970,000

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 payable in installments due on JULY 1 in each of the years 1986 through 2002, and on July 1, 2005, and with the unpaid balance of each installment of principal of the Initial Bond bearing interest from OCTOBER 15, 1985, to the scheduled due date ("maturity"), or to the date of prepayment or redemption, of each installment of principal of the Initial Bond, at the following rates per annum for each maturity, respectively:

maturity 1986, 5.25%	maturity 1996, 8.20%
maturity 1987, 5.75%	maturity 1997, 8.40%
maturity 1988, 6.25%	maturity 1998, 8.55%
maturity 1989, 6.70%	maturity 1999, 8.70%
maturity 1990, 7.00%	maturity 2000, 8.80%
maturity 1991, 7.30%	maturity 2001, 8.90%
maturity 1992, 7.60%	maturity 2002, 8.90%
maturity 1993, 7.75%	*****
maturity 1994, 7.90%	*****
maturity 1995, 8.05%	maturity 2005, 9.00%

with interest being payable on JULY 1, 1986, and semiannually on each JANUARY 1 and JULY 1 thereafter, and with the installments of principal of the Initial Bond being subject to prepayment or redemption prior to the scheduled maturities, at the option of the Issuer, on JULY 1, 1995, or on any interest payment date thereafter, in accordance with the terms and conditions stated on the face of the Initial Bond, and with the installment of principal of the Initial Bond which is due and payable on JULY 1, 2005, being subject to mandatory sinking fund prepayment or redemption prior to its scheduled maturity, on JULY 1, 2003, and on JULY 1, 2004, 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 maturity date, in the denomination of \$5,000, or 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 which are registered, authenticated, and delivered in accordance with the Bond Resolution being hereinafter called "Definitive 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 Initial Bond and Definitive Bonds and the issuance and delivery

of the Initial Bond, including the executed Initial Bond and a printed specimen of the form for 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 Initial Bond.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Initial Bond and Definitive 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 "Interest of The University of Texas System" in the "Available University Fund", as such terms are defined in the Bond Resolution.

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 Initial Bond and Definitive Bonds is exempt from federal income taxes under the applicable statutes, regulations, published rulings, and court decisions existing on the date of this opinion.

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 outstanding principal amount of all bonds and notes which are secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund.

THE ISSUER also has reserved the right, subject to the restrictions stated in the Bond Resolution, to issue additional parity bonds and notes which also may be secured by and payable from a first lien on and pledge of the Interest of The University of Texas System in the Available University Fund.

THE REGISTERED OWNER of the Initial Bond and the Definitive 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 specified in the Bond Resolution.

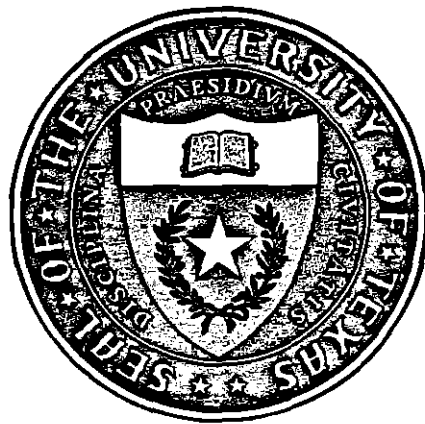
WE HAVE ACTED AS BOND COUNSEL for the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the bonds described above under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on such bonds from federal income taxes, 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 or the Permanent University Fund, and have not assumed any responsibility with respect thereto.

Respectfully,

SCHEDULE OF BONDS TO BE REFUNDED

Series	Amounts Outstanding at October 24, 1985	Original Issue Amount
Old Series:		
1966	\$ 660,000	\$ 11,000,000
New Series:		
1967	\$ 1,680,000	\$ 14,000,000
1968	2,700,000	15,000,000
1969	1,680,000	7,000,000
1970	2,215,000	7,500,000
1971	3,150,000	9,000,000
1972	3,645,000	9,000,000
1973	5,060,000	11,000,000
1974	5,610,000	11,000,000
1975	7,840,000	14,000,000
1976	9,760,000	16,000,000
1977	13,200,000	20,000,000
1978	14,805,000	21,000,000
1979	15,750,000	21,000,000
1980	20,670,000	26,000,000
1981	36,120,000	43,000,000
1983	47,520,000	54,000,000
1983-A	30,360,000	33,000,000
1984	32,640,000	34,000,000
	<u>\$254,405,000</u>	<u>\$365,000,000</u>
Constitutional Amendment:		
1985	\$ 54,000,000	\$ 54,000,000
1985-A	75,000,000	75,000,000
	<u>\$384,065,000</u>	<u>\$505,000,000</u>

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ATTACHMENT D

PURCHASE CONTRACT

Relating to

\$345,970,000

**Board of Regents of The University of Texas System
Permanent University Fund Refunding Bonds, Series 1985**

October 24, 1985

The Board of Regents
The University of Texas System
201 West 7th Street
Austin, Texas 78701

Ladies and Gentlemen:

The undersigned, Morgan Guaranty Trust Company of New York, New York, New York, (the "Representative"), acting on behalf of itself and on behalf of any other underwriters named on the list attached hereto as Exhibit "A" as such list may from time to time be changed by the Representative (the Representative and any such other underwriters being collectively hereinafter called the "Underwriters"), offer to enter into this Purchase Contract with the Board of Regents of The University of Texas System (the "Board"), subject to the Board's acceptance of this Purchase Contract on or before 5:00 o'clock p.m., C.D.T., on October 24, 1985. If not so accepted, this offer will be subject to withdrawal by the Underwriters upon notice delivered to the Board at any time prior to the acceptance hereof by the Board.

1. Upon the terms and conditions and upon the basis of the representations set forth herein, the Underwriters hereby agree to purchase from the Board, and the Board hereby agrees to sell and deliver to the Underwriters, an aggregate of \$345,970,000 principal amount of Board of Regents of The University of Texas System Permanent University Fund Refunding Bonds, Series 1985 (the "Bonds"). The Bonds shall be dated, mature, and bear interest at the rate or rates per annum, and such interest being payable on the dates, set forth on the cover page of the draft final Official Statement attached hereto as Exhibit "B." The purchase price of the Bonds maturing on July 1, 2002 shall be \$32,750,914.44 plus accrued interest to the date of Closing (hereinafter defined) with the Underwriters' discount being \$495,143.86 and the original issue discount being \$148,941.70. The purchase price of the Bonds maturing on July 1, 2005 shall be \$127,939,126.09 plus accrued interest to the date of Closing with the Underwriters' discount being \$1,930,386.41 and the original issue discount being \$325,487.50. The aggregate purchase price of the Bonds shall be \$340,365,913.08 plus accrued interest to the date of Closing in the amount of \$2,893,796 with the Underwriters' discount being \$5,129,657.72 and the original issue discount being \$474,429.20.

2. Subject to the other terms and conditions hereof, at 10:00 a.m., E.S.T., on or about November 21, 1985, at the offices of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York, or at such other time, date, and place as may be mutually agreed upon by the Board and the Underwriters (the "Closing"), the Board 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, authenticated, and certified, together with the other documents hereinafter mentioned, and the Underwriters will accept such delivery and pay the purchase price of the Bonds as set forth in Paragraph 1 hereof in immediately available funds to the order of the Board. Initial delivery will be accomplished upon issuance of a Bond or in such manner as is acceptable to Co-Bond Counsel and the Underwriters, registered in the name of the Underwriters, approved by the Attorney General of the State of Texas and registered and manually signed by the Comptroller of Public Accounts of the State of Texas. Upon payment for the Bonds at the time of the initial delivery, MBank Austin, N.A., Austin, Texas (the "Registrar/Paying Agent") shall cancel the initially delivered Bond.

provided registration instructions have been received by the Registrar/Paying Agent, and shall register and deliver the registered definitive Bonds, in any integral multiple of \$5,000 principal, in accordance with instructions received from the Underwriters. It shall be the duty of the Underwriters to furnish to the Registrar/Paying Agent, at least five business days prior to the initial delivery, written instructions on forms provided by the Registrar/Paying Agent designating the names in which the Bonds are to be registered, the addresses of the registered owners, the maturities, the interest rates, and the denominations. If such forms are not available, written instructions by letter shall be furnished to the Registrar/Paying Agent. If such instructions are not received within the provided period, the cancellation of the initially delivered Bond and delivery of the registered definitive Bonds will be delayed until such written instructions are received. If the Underwriters shall so request, the definitive Bonds shall be made available to the Underwriters at least one business day before the Closing for purpose of inspection.

Delivered to the Board herewith is a corporate check of the Representative, payable to the Board, in the sum of \$3,459,700, as security for the performance by the Underwriters of their obligations to accept delivery of and pay for the Bonds at the Closing in accordance with the provisions of this Purchase Contract. If this offer is accepted by the Board, this check shall be held by the Board uncashed until the Closing. Concurrently with the delivery of and payment for the Bonds at the Closing, such check shall be returned uncashed to the Underwriters. In the event the Board does not accept this offer, or upon the Board's failure to deliver Bonds at the Closing, or if the conditions to the obligations of the Underwriters contained in this Purchase Contract shall be unsatisfied (unless waived by the Underwriters), or if such obligations shall be terminated for any reason permitted by this Purchase Contract, the check shall be immediately returned to the Underwriters. In the event that the Underwriters fail (other than for a reason permitted under this Purchase Contract) to accept delivery of and pay for the Bonds at the Closing, the check shall be cashed by the Board and the Board shall retain the amount of the check as full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and shall constitute full release and discharge of all claims and rights hereunder of the Board against the Underwriters. The Underwriters hereby agree not to stop or cause payment on said check to be stopped unless the Board has breached any of the terms of this Purchase Contract.

3. The Bonds shall be described in and shall be issued and secured under the provisions of the resolution of even date herewith (the "Resolution") authorizing the issuance of the Bonds adopted by the Board prior to or currently with the acceptance hereof. The Bonds shall be subject to redemption and shall be payable as provided in the Resolution.

4. Exhibit B hereto is the draft final Official Statement, including the cover page and Appendices thereto, of the Board with respect to the Bonds which, as further amended only in the manner hereinafter provided, is hereinafter called the "Official Statement." The Board hereby authorizes the Resolution, the Official Statement, and the information therein contained, to be used by the Underwriters in connection with the public offering and sale of the Bonds, and the Board ratifies and confirms the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

As set forth in the Official Statement, the proceeds of the Bonds, together with other funds of the Board, will be used at Closing to pay certain costs and expenses connected with the issuance of the Bonds and purchase a portion of 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 Board 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 and interest of which will be sufficient to provide for the full and timely payment of the Refunded Bonds.

5. It shall be a condition of the obligation of the Board 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 principal amount of the Bonds authorized by the Resolution shall be sold and delivered by the Board 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 not in excess of the initial public offering prices as set forth on the cover page of the Official Statement, plus interest accrued thereon from the date of the Bonds.

6. On the date hereof, the Board represents, warrants, and agrees as follows:

(a) The University of Texas System is and will be at the date of Closing duly organized and existing as a university system of the State of Texas with the powers and authority, among others, set forth in the Texas Education Code, as amended, and the Board is and will be at the date of Closing, duly organized and existing as an agency of the State of Texas;

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

(c) The Board is not in breach of or default under any applicable law or administrative regulation of the State of Texas or the United States or any applicable judgment or decree or any loan agreement, note, resolution, agreement, or other instrument, except as may be disclosed in the Official Statement, to which the Board is a party or, to the best of the actual knowledge of the Chairman of the Board and the Vice Chancellor and General Counsel for the University of Texas System, is otherwise subject, which would have a material and adverse effect upon the financial condition of the Interest of The University of Texas System in the Available University Fund and the execution and delivery of this Purchase Contract by the Board;

(d) 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 Board of its obligations to sell and deliver the Bonds hereunder have been obtained or will be obtained prior to the Closing;

(e) At the time of the Board's acceptance hereof, the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(f) Between the date of this Purchase Contract and the Closing, the Board will not, without the prior written consent of the Underwriters, issue any additional bonds, notes, or other obligations for borrowed money, and the Board will not incur any material liabilities, direct or contingent, relating to, nor will there be any adverse change of a material nature in the financial position of the Board;

(g) Except as described in the Official Statement, no litigation is pending or, to the knowledge of the Chairman of the Board and the Vice Chancellor and General Counsel, threatened in any court affecting the corporate existence of the Board, 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 Interest of The University of Texas System in the Available University Fund pledged by the Board 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 the powers of the Board, or any authority of the Bonds, the Resolution, or this Purchase Contract or contesting in any way the completeness, accuracy, or fairness of the Preliminary Official Statement or the Official Statement;

(h) The Board will cooperate with 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 efforts to continue such qualifications in effect so long as required for distribution of the Bonds; provided, however, that

the Board 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:

(i) The descriptions contained in the Official Statement and the Resolution accurately reflect the provisions of such instruments, and the Bonds, when validly executed, authenticated, certified and delivered in accordance with the Resolution and sold to the Underwriters as provided herein, will be validly issued and outstanding obligations of the Board secured in the manner provided in the Resolution and described in the Official Statement; and

(j) If prior to the Closing an event occurs affecting the Board 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 Board shall notify the Underwriters, and if in the opinion of the Board or the Underwriters, such event requires a supplement or amendment to the Official Statement, the Board will supplement or amend the Official Statement in a form and in a manner approved by the Underwriters and the Board.

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

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

(b) At the time of the Closing, (i) the Resolution shall be in full force and effect, (ii) the Resolution shall not have been amended, modified, or supplemented, and (iii) 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 Board related to the Resolution shall be in full force and effect and shall not have been amended, modified, or supplemented;

(d) The Board shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

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

(i) The Official Statement of the Board as approved by the Board and executed on behalf of the Board by the Executive Vice Chancellor for Asset Management;

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

(iii) An unqualified joint bond opinion in substantially the form attached to the Official Statement as Appendix C, or in form and substance satisfactory to the Underwriters, dated the date of the Closing, of Fulbright & Jaworski, McCall, Parkhurst & Horton, and Vinson & Elkins, Co-Bond Counsel to the Board;

(iv) A supplemental joint opinion, dated the date of Closing, of Co-Bond Counsel addressed to the Underwriters to the effect that: (A) 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 to qualify the Resolution under the Trust Indenture Act of 1939, as amended; and (B) such firms have reviewed the information contained under the captions "Plan of Financing", "Description of the Bonds", "Security for the Bonds" (except for information contained under the subheadings "Income, Debt Service Requirements and Coverage", "Constitutional Debt Power, Debt Limitations" and "Future Financings"), "Tax Exemption", and "Legal Investments in Texas" contained in the 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;

(v) An unqualified opinion or certificate, dated on or prior to the date of Closing, of the Attorney General of the State of Texas, approving the Bonds as required by law;

(vi) The opinions, dated the date of Closing, of Hutchison Price Boyle & Brooks and Reynolds, Allen & Cook Incorporated, Co-Counsel to the Underwriters, in form and substance satisfactory to the Underwriters in substantially the forms attached hereto as Exhibit C;

(vii) A certificate (which certificate does not, however, constitute a comfort letter), dated the date of Closing, signed by the Chairman of the Board and the Executive Vice Chancellor for Asset Management, to the effect that, to the best of their knowledge, based on information from the Board's accountants and attorneys (A) the representations and warranties of the Board 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 person, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the collection or application of revenues and funds of the Board 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 Board or contesting the authorization of the Bonds or the Resolution, or contesting in any way the accuracy, completeness, or fairness of the Preliminary Official Statement or the Official Statement; (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 Board has occurred since the date of the Official Statement which is materially adverse for the purpose for which the Official Statement 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 Board from that reflected in the Board's unaudited and audited financial statements and other financial information contained in the Official Statement;

(viii) A fully executed escrow agreement between the Board and InterFirst Bank Dallas, N.A., Dallas, Texas (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;

(ix) A certificate by an appropriate official of the Board 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;

(x) A report of Ernst & Whinney stating that the 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 Co-Bond Counsel to support their 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:

(xi) A letter dated the Closing Date of the Executive Vice Chancellor for Asset Management stating in effect that on the basis of specified procedures including (a) a reading of the financial statements, (b) consultations with officers of the Board responsible for financial and accounting matters, and (c) a reading of the minutes of the meetings of the Board, nothing has come to his attention which causes him to believe that at 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 as compared with the amount shown in the financial statements, except for changes which the Official Statement discloses have occurred or may occur or which are described in such letter or (II) any material decrease in total assets or total fund balance, in each case as compared with amounts shown in the 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 letter;

(xii) A certificate dated the Closing Date of the Executive Vice Chancellor for Asset Management stating in effect that, to the best of his knowledge, (i) the "Schedule of Bonds to be Refunded" as set forth in Appendix D of the Official Statement is true and correct in all material respects, and (ii) the information, set forth at Exhibit "A" to the certificate, supplied to the Representative for the purpose of developing and producing its computer analysis and schedules with regard to the refunded debt service is true and correct in all material respects; and

(xiii) 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 the Closing, of the Board's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance and satisfaction by the Board at or prior to the date of the Closing of all agreements then to be performed and all conditions then to be satisfied by the Board.

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 Board shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of, and to pay for the Bonds contained in this Purchase Contract, or to remedy the failure of any such conditions within a reasonable period of time, 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 Board shall be under any further obligation hereunder, except that the respective obligations of the Board and the Underwriters set forth in Paragraphs 9 and 11 hereof shall continue in full force and effect.

8. The Underwriters may terminate their obligation to purchase at any time before the Closing if any of the following should occur:

(a)(i) Legislation shall have been enacted by the Congress of the United States, or recommended to the Congress for passage by the President of the United States or favorably reported for passage to either House of the Congress by any Committee of such House; (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; (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 or by the Treasury Department of the United States or by the Internal Revenue Service, the effect of which, in any such case described in clause (i), (ii), (iii), or (iv), would be to impose, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds or upon income of the general character to be derived by the Board 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, a decision of a court, or a ruling, regulation, or proposed regulation by or on behalf of the Securities and Exchange Commission or 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 Board, is made to the effect that such action is in violation of the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, or the execution and delivery of the Resolution or any indenture of similar character is in violation of the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale, or delivery of the Bonds, as contemplated hereby or by the Official Statement, or of obligations of the general character of the Bonds:

(c)(i) The Constitution of the State of Texas shall be amended or an amendment shall be proposed; (ii) legislation shall be enacted; (iii) a decision shall have been rendered as to matters of Texas law, or (iv) any order, ruling, or regulation shall have been rendered as to or on behalf of the State of Texas by an official, agency, or department thereof, affecting the tax status of the Board, the Interest of The University of Texas System in the Available University Fund, its bonds or other obligations (including the Bonds) or the interest thereon, 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, on or after the date of this Purchase Contract, of a national emergency or war, the effect of which, in either case described in clause (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 6(j) 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 States of New York or Texas; or

(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.

9. Costs related to the issuance and sale of the Bonds and the refunding and payment of the Refunded Bonds, including, but not limited to, costs of preparation and printing the Bonds, the Preliminary Official Statement, and Official Statement; postage; the costs of obtaining credit ratings on the Bonds and the Refunded Bonds; all fees and disbursements of Bond Counsel, the Board's Investment Consultants, the Escrow Agent, and each paying agent for the Refunded Bonds; the initial registration and paying agent acceptance fees; certain Underwriters' Expenses; the fees of the accountant certifying escrow adequacy; the Board's counsel and accountant fees and expenses; and all other miscellaneous and closing costs, with the exception of all other fees and disbursements of the Underwriters incurred in connection with the offering and distribution of the Bonds, shall be obligations of the Board payable out of the proceeds of the Bonds.

10. Any notice or other communication to be given to the Board under this Purchase Contract may be given by delivering the same in writing at the following address: University of Texas Administration, 210 W. 6th Street, Austin, Texas 78701. Attention: Michael E. Patrick, 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: Robert K. Hedrick, Jr.

11. This Purchase Contract is made solely for the benefit of the Board and the Underwriters (including the successors or assigns of the Underwriters) and no other person shall acquire or have any right hereunder or by virtue hereof. The Board'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 the Underwriters and (ii) delivery of any payment for the Bonds hereunder. The Board's representations and warranties contained in Paragraph 6 of this Purchase Contract shall remain operative and in full force and effect, regardless of any termination of this Purchase Contract.

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

Very truly yours,

MORGAN GUARANTY TRUST COMPANY OF NEW YORK
Representative

By: _____

Accepted:

BOARD OF REGENTS OF THE UNIVERSITY
OF TEXAS SYSTEM

Chairman

Executive Secretary

ATTACHMENT E

PAYING AGENT/REGISTRAR AGREEMENT

THIS AGREEMENT is entered into as of October 24, 1985 (this "Agreement"), by and between the Board of Regents of The University of Texas System (the "Issuer"), and MBank Austin, N.A., Austin, 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 Permanent University Fund Refunding Bonds, Series 1985" (the "Bonds") in an aggregate principal amount of \$345,970,000 to be issued as fully registered bonds without coupons, in the denomination of \$5,000 or any integral multiple thereof;

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, and that the Bank act as Registrar for 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 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:

"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 October 24, 1985, pursuant to which the Bonds are issued, certified by the Executive Secretary or any other officer of the Issuer and delivered to the Bank.

"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 and delivered to the Bank.

"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 15th 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.

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of 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, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Bond at its Stated Maturity or Redemption Date, to the Registered Owner upon surrender of the Bond to the Bank at the Bank Office.

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

As Paying Agent, the Bank shall, provided adequate funds have been provided to it for such purpose by or on behalf of the Issuer, pay 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.

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 those which the Bank has currently available and currently utilizes at the time.

Section 4.05. List of Bond Owners.

The Bank will provide the Issuer at any time requested by the Issuer a copy of the information contained in the Bond Register. The Issuer may also inspect the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is 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, an 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 the 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, shall be promptly cancelled by it and, if surrendered to the Issuer, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The Issuer may at any time deliver to the Bank for cancellation any Bonds previously authenticated and delivered which the Issuer may have acquired in any manner whatsoever, and all Bonds so delivered shall be promptly cancelled 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, subject to the requirements and provisions of the Bond Resolution, authenticate and deliver a replacement bond of like tenor and principal amount.

Section 4.08. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Bonds it has paid pursuant to 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 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 conclusively rely, as to the trust of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) The Bank shall not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall 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 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 which 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 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 and the Bank.

Section 5.03. Recitals of 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 shall in no event be liable to the Issuer, any Registered Owner or Owners of any Bond or any other Person for 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 may otherwise deal with the Issuer with the same rights it would if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. Moneys Held by 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 four years after final maturity of the Bond has become due and payable 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 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 in any way be affected or impaired thereby.

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 and 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 Stated Maturity date or Redemption Date of the last Bond to mature or be redeemed whichever first occurs, 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 _____
Chairman

Address:
The University of Texas System
201 West 7th Street
Austin, Texas 78701

ATTEST:

Executive Secretary

(SEAL)

MBANK AUSTIN, N.A.,
AUSTIN, TEXAS

By: _____
Title:
Address:

221 West Sixth Street
Austin, Texas 78701

ATTEST:

Title:

(SEAL)

ANNEX "A"

The Bank will pay to the Board of Regents \$2,500.00 as a one time lump sum to act as Paying Agent/Registrar for the Bonds.

ATTACHMENT F

BIDS FOR PAYING AGENT/REGISTRAR
 \$348,000,000
 BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM
 PERMANENT UNIVERSITY FUND REFUNDING BONDS, SERIES 1985

Tabulation of Bids Received:
 October 18, 1985, 5:00 P.M., C.D.T.

BIDDER	BID
MBank Austin, N.A.	Will pay Board of Regents \$2,500.00 one time lump sum
InterFirst Bank Austin, N.A.	Will pay Board of Regents \$2,501.00 at closing Will charge out of pocket expenses for delivery, travel, postage, etc.
BancTEXAS, Dallas	Will charge Board of Regents \$100,000.00 up front fee No fixed annual fee submitted
First City National Bank of Austin	Will charge Board of Regents \$20,000.00 up front fee No fixed annual fee submitted
First City National Bank of Houston	Will charge Board of Regents \$200,000 up front fee \$60,000 for year 1 \$22,000 annually for years 2 - 20 No fixed annual fee submitted
Texas Commerce Bank, Houston	Non responsive bid

ATTACHMENT G

Documentation

- 3d. U. T. Health Science Center - Dallas: Proposal to Designate Regental Professors (Regents' Rules and Regulations, Part One, Chapter III, Section 1.86) and Authorization for Special Research Allocation Related Thereto.--

RECOMMENDATION

On October 14, 1985, two members of the faculty of the U. T. Health Science Center - Dallas were jointly awarded the Nobel Prize in Medicine. In recognition of this prestigious achievement, the U. T. Board of Regents is awarding Joseph Goldstein, M.D. and Michael Brown, M.D. the title of Regental Professor. The U. T. Board of Regents will provide \$1 million over the next five years to further the efforts of these two Nobel laureates. To that end, each Professor will be granted an aggregate of \$100,000 per year during the period; \$50,000 per year for general programmatic and research support and \$50,000 per year for equipment purchases. These grants will be from funds controlled by the U. T. Board of Regents.

BACKGROUND INFORMATION

The designation of Regental Professor is in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Subsection 1.86, which states that a faculty member who is awarded the Nobel Prize may be given the title of Regental Professor.

Dr. Joseph Goldstein, M.D., Chairman of Molecular Genetics, and Michael Brown, M.D., Professor, Molecular Genetics and Director of the Center for Genetic Diseases, have had distinguished scientific careers at the U. T. Health Science Center - Dallas, and have been co-holders of the Paul J. Thomas Chair in Medicine since 1977. Drs. Goldstein and Brown were given the Nobel Prize for discoveries of cholesterol metabolism with significant implications for treatment of cholesterol-related diseases.